

Holland, Michigan

Comprehensive Annual Financial Report

For the year ended June 30, 2008

Black River Public School Holland, Michigan

Comprehensive Annual Financial Report For the year ended June 30, 2008

Prepared by
Dwight D. Avery
Director of Business Services

Black River Public School

Comprehensive Annual Financial Report For the year ended June 30, 2008

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October 1, 2008

Members of the Board of Trustees Black River Public School 491 Columbia Avenue Holland, MI 49423-4838

Dear Board members:

This is the Comprehensive Annual Financial Report (CAFR) of Black River Public School (the "School") for the year ended June 30, 2008.

Management Responsibility

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the School's management. To the best of our knowledge and belief, the information presented is fairly stated in all material respects and is reported in a manner which sets forth the financial position and results of operations of the various funds of the school in accordance with generally accepted accounting principles (GAAP). All disclosures necessary to enable a reader to gain an understanding of the School's financial activities have been included.

CAFR Report Organization

This 2008 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical.

- 1. The Introductory Section. This section includes the table of contents, this transmittal letter, and organizational data.
- 2. The Financial Section begins with the independent auditors' report on the financial statements, and includes Management's Discussion and Analysis (MD&A), the Basic Financial Statements, which include the Notes to Financial Statements that provide an overview of the School's financial position and operating results, and Supplementary Information, which comprises the Combining Statements for nonmajor governmental funds and other schedules that provide detailed information relative to the Basic Financial Statements. The MD&A report provides a more detailed analysis of the financial condition of the School. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The School received an unqualified audit opinion on its financial statements for the year ended June 30, 2008. The Notes to Financial Statements are considered to be an integral part of the report and should be read for a more complete understanding of the statements and information presented therein.
- 3. The Statistical Section presents selected unaudited financial and demographic information, generally on a multi-year basis.

Reporting Entity

This report includes all funds of Black River Public School. The School is not included in any other "reporting entity" as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity. The School has no component units as defined in GASB Statement No. 39, Determining Whether Certain Organizations are Component Units.

Profile of the School

Black River Public School, established in 1996, is a not-for-profit public school academy – more commonly referred to as a charter school – which provides public education to students in grades K-12 from the surrounding community. The School presents a Montessori approach to individualized learning in grades K-5, a liberal arts focus in middle school grades 6-8, and a college preparatory high school education in grades 9-12 that includes an extensive Advanced Placement Program curriculum that provides all high school students an opportunity to earn college credit while in high school. A kindergarten grade was offered for the first time in the fall of 2007.

<u>Organization</u>. Under the constitution and laws of the State of Michigan, the School is designated to be a body corporate, a public school, a governmental agency, and a school district that receives state school aid and may incur debt. The School has received IRS designation as a 501(c)(3) not-for-profit public charity.

<u>Governance</u>. The Board of Trustees of Black River Public School (the "Black River Board"), comprised of nine appointed officials, is the basic level of government that has financial accountability and control over all operations of the School. The accompanying financial statements present the activities of the School.

<u>Oversight</u>. The Black River Board operates the School under a charter contract approved by the Grand Valley State University (GVSU) Board of Trustees (the "University Board"). Pursuant to Michigan law, the University Board provides oversight by giving guidance in and review of compliance with state requirements and the terms of the charter contract.

<u>Management</u>. The School does not directly employ workers, but instead receives educational services and staffing pursuant to a management agreement with Education Associates, a non-profit Michigan corporation. Accordingly, the School does not participate in the Michigan Public School Employees' Retirement System (MPSERS), which is a cost-sharing, multiple employer, state-wide, defined benefit retirement plan. The Black River Board is a policy-making and planning body whose decisions are carried out by school administrators employed by the management company. Pursuant to the management agreement, Black River reimburses without markup the staffing costs incurred by Education Associates, including the cost of employer contributions into qualifying employees' 401(k) retirement accounts with the Education Associates Retirement Plan. The funding rate is currently 10 percent of qualifying employee wages. This retirement cost has been significantly lower than the rate paid by MPSERS member schools, which was 16.72% of payroll for fiscal 2008.

<u>Change in Leadership.</u> On March 7, 2008, David M. Angerer announced his resignation as Head of School effective June 30, 2008, the end of his current contract, to become the founding principal of a new charter high school in Grand Rapids, Michigan. During the past eight years of Mr. Angerer's leadership, Black River's growth from 292 students to 800 has included: creation of an elementary program, \$4.5 million of facility improvements, and hiring to expand an excellent faculty from 28 teachers in 2000 to 58 in 2008; all the while maintaining responsible and accountable financial management aligned with the School's mission to prepare each student for college and for life. On May 19, 2008, the Board of Trustees announced the appointment of Shannon E. Brunink, the School's current Fine Arts & Foreign Language Team Leader and a faculty member since the School's founding in 1996, to be Black River's new Head of School effective July 1, 2008.

Economic Condition and Outlook of Local Economy

Black River Public School is physically located at the center of the city of Holland, Michigan, near the downtown business district and close to Hope College, a private, four-year, liberal arts college. As a public school academy, the School itself cannot levy property taxes. It does receive some local property tax support through the Ottawa Area Intermediate School District (OAISD), which levies an ISD-wide "Act 18 Millage" to support special education programs for its constituent school districts and charter schools. This Act 18 revenue comprises approximately 5.8 percent of total revenues.

Michigan voters approved a state constitutional amendment in 1994, which shifted funding of public schools from local property tax revenues to State School Aid funded by an increased state sales tax and other state revenue sources. Black River receives the same state funding per student as the traditional school district in which it is located. The School's per student foundation allowance provides 97 percent of the school's state revenues, which represents 82 percent of total operating revenues.

The School's business model is different from a traditional public school district, which must accept any district resident of school age that arrives at the district's doorstep. As required of every public school academy in Michigan, Black River has an open enrollment period each year, does not discriminate in its enrollment and admission policies and practices, and does not charge tuition. Black River is allowed to administer an admissions policy whereby the School determines the number of spaces that will be available at each grade in the fall. This allows the School to plan its growth by each year establishing a limit on the size of its student body as a whole and each grade in specific.

The School competes with other traditional public schools, charter schools, and private schools in the Holland area. The School has consistently drawn over 75 percent of its student population from within the boundaries of the Holland and West Ottawa traditional school districts (see Schedule C-2 at page 55). As required by the State School Aid Act, Black River advertises its open enrollment and recruiting activities in the local media.

Major Initiatives

New Graduation Requirement for Class of 2011. Effective with the Fall 2007 freshman class, the Board of Trustees amended the requirements for a high school diploma to include

acceptance into a four-year college or university. In doing so the Board recognized that Black River graduates are free to choose post-secondary options other than matriculation at a four-year college or university, but asserted that each student who would otherwise graduate from Black River is prepared to attend a four-year college or university. The requirement is not to attend college, but for each student to finish his or her Black River education by demonstrating preparedness for entering college by way of college acceptance. The added requirement for students to apply to a four-year institution, along with the focus of the Board of Trustees and the entire Black River community on preparing each of them to succeed in college, is designed to help students that might have self-doubts about applying to college to investigate possibilities beyond what they might otherwise dreamed was possible for themselves.

<u>Academic Support Initiatives</u>. The School initiated several programs designed to support the new graduation requirement.

- The <u>College Advisory Program</u>, or CAP, was implemented in 2007-08 replacing the previous seminar program for students in grades 6-12. Using curriculum developed by The College Board (New York, NY), the half-hour per day CAP is intended to help students discover for themselves the power of a college education. In addition to college planning and academic advice, CAP provides each student with a teacher advocate to assist with building an individual college readiness file.
- The first <u>College Advisory Camp</u> was held for the entire freshman class at the start of the 2007-08. The retreat is planned to become an annual event to provide experiences and information regarding college, career and community service.
- An After School Academic Support Program was begun during 2007-08 to provide academic assistance to ninth graders working toward the new graduation requirement. The program targets at risk students, including those new to Black River at the ninth grade level whose academic progress through middle school may not have been aligned with Black River's curriculum, as well as any student who wishes to receive support with course work. The program is overseen by teachers and staffed with tutors who are local college students. The program served 25 ninth-graders for 2007-08 and is being expanded for 2008-09 to support high school freshmen and sophomores, as well as middle school students who wish to receive assistance with school work.
- A <u>Summer Academic Support Program</u> for summer 2008 provided academic support to 50 new and returning students in grades 1 through 10. Returning students were identified as candidates for remedial assistance by their teachers and new students were identified by math and language arts placement testing. The program was staffed with Black River teachers.

Addition of Kindergarten Program in 2007-08. Black River was founded in 1996 with middle school and high school grades and then added an Upper Elementary Montessori program for grades 4 and 5 for the 2001-02 school year, and a Lower Elementary Montessori for grades 1, 2 and 3 beginning in fiscal 2004-05 (see Schedule D-1 at page 56). For the 2007-08 school year the School for the first time offered a kindergarten program with two half-day sections led by a Montessori-trained instructor with the aid of a teaching assistant. Classroom space for the kindergarten program was created by a \$215,000 renovation of an existing storage building with 2,000 square feet of usable space, which was completed during the summer before the

2007-08 school year. The kindergarten curriculum was developed to prepare students for advancement to the Lower Elementary Montessori first grade setting.

Internal Control Structure

Management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the School are protected from loss, theft, or misuse; and to ensure that adequate accounting information is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

The School maintains budgetary controls to ensure compliance with legal provisions in the annual appropriated budget approved by the School's Board of Trustees. Activities of the general fund and special revenue funds are included in the annual appropriated budget, which is established prior to the start of the fiscal year and may be amended at times throughout the fiscal year to reflect changes in expectation and assumptions. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund. As demonstrated by the statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management.

Cash Management

As the School's charter authorizer, Grand Valley State University (GVSU) has the statutory designation of fiscal agent to receive and distribute the School's state school aid payments. Pursuant to the financing agreement for the \$8.885 million Michigan Public Educational Facilities Authority Limited Obligation Revenue and Refunding Bonds (Black River Public School Project), Series 2006 (the "Bonds"), the Treasurer of the State of Michigan (the "State Treasurer") was irrevocably directed to transmit an amount equal to 1/11 of the annual debt service under the Bonds directly to the Trustee on each of the School's eleven state aid payment dates for each fiscal year; provided that the total amount transferred for any fiscal year shall not exceed 20 percent of the School's state school aid for that year (see Debt section of management's discussion and analysis beginning on page 11 and Note 8-Long Term Debt beginning on page 35). The State Treasurer is also directed to pay the School's charter oversight fees directly to GVSU. At current and projected enrollment levels, the 20 percent pledged revenues exceed the debt service requirement.

Each year, the Director of Business Services prepares a general fund cash forecast to determine the timing differences between revenues and expenditures. The School's State School Aid revenue, which comprises 85 percent of total general fund operating revenues, is received in 11 roughly equal payments from October 20 of the current year (two months after classes begin) through August 20 following fiscal year end. Three-elevenths of the State School Aid is received after students have been dismissed for the summer in mid-June. Expenditures

may be incurred evenly throughout the year (e.g., staffing and benefit costs), skewed toward the beginning of the academic year (e.g., textbook purchases), or may involve one-time expenditures (e.g., capital outlays). In the past, this cash forecast has been the basis for an application to the State Treasurer for approval of a revolving line of credit from a local banking institution, for which the School is required to pledge 30 percent of the year's State School Aid. The School's cash management operations would involve making draws on the line of credit to fund staffing and accounts payable, and making payments on the line of credit when State School Aid funds and other revenues are received. The School's fund balance in the general fund exceeded 15% of budgeted expenditures at June 30, 2007, for the first time. The School was able to fund operations for 2007-08 from cash reserves and did not have the need to borrow to fund operations. The management of restricted cash held in the debt service fund is performed by the Trustee pursuant to the trust agreement.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and natural disasters. The School is also potentially exposed to its management company's risks related to injuries to its employees, and errors or omissions. The School maintains comprehensive insurance coverage through a commercial insurance carrier, including "workers compensation without employees" coverage. The School's nonprofit management company, Education Associates, maintains coverage for workers compensation (with employees), errors and omissions, and property and liability with the same insurance carrier.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected this year to conduct the audit. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there is a reasonable basis for rendering an unqualified opinion that the statements are presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Accomplishments and Awards

The School's Advanced Placement (AP) program received recognition in a ranking published by the *Washington Post* and *Newsweek*. The *Washington Post Challenge Index* ranks high schools by the ratio of the number of AP and International Baccalaureate (IB) tests taken by all students at a school divided by the number of graduating seniors. Black River was positioned at *Number 374 in the national ranking*, which listed the top 1300 schools, and placed as the *Number 3 high school in Michigan* out of approximately 900 public and private high schools in the state. Black River's index of 2.276 is a reflection of the number of AP classes for which Black River students received scores worthy of college credit.

The NAMM Foundation (Carlsbad, CA) recognized Black River Public School as one of three Michigan communities included in its 110 **Best Communities for Music Education** as measured across a variety of program support, curricular and programmatic criteria.

After taking first place at state and regional competitions, eighth-grade gymnast *Annie Labrie* won the *Level 9 Eastern States National Championship* on the uneven parallel bars at the gymnastics championship competition in Dublin, Ohio. At both state and regional levels, she placed second in the all-around competition, which includes four events - floor exercise, vault, uneven parallel bars, and beams - and then placed eighth in the all-arounds at the national level.

The Association of School Business Officials International (ASBO) awarded a *Certificate of Excellence in Financial Reporting* to Black River Public School for its *Comprehensive Annual Financial Report* for the fiscal year ended June 30, 2007. This was the third consecutive year that the School received this award. This award, valid for one year, certifies that the report substantially conforms to the principles and standards of financial reporting as recommended and adopted by ASBO. We believe that our current comprehensive annual financial report continues to meet the Certificate of Excellence Program requirements, and it is being submitted to ASBO to determine its eligibility for another certificate for the year ended June 30, 2008.

Acknowledgment

Sincere appreciation is extended to the School's independent auditors, Rehmann Robson, for the professional manner in which they accomplished the audit and for their guidance and direction in the preparation of this comprehensive annual financial report.

I would also like to express my appreciation to the members of the Board of Trustees for their continued interest and support in planning and conducting the financial operations of Black River Public School in a responsible and progressive manner.

Respectfully submitted,

Dwight D. Avery

Director of Business Services

Black River Public School List of Principal Officials Year Ended June 30, 2008

Board of Trustees

| | Member Since | Term Expires |
|--|--------------|--------------|
| Barbara A. Zeller, President | 1/10/2000 | 6/30/2011 |
| Thomas F. Guarr, Ph.D., Vice President | 2/17/2003 | 6/30/2011 |
| Mary M. Mims, J.D., Secretary | 10/10/1997 | 6/30/2009 |
| James C. Hook, Jr., Treasurer | 10/11/1996 | 6/30/2008 |
| Mitchell W. Padnos, Trustee | 4/26/1996 | 6/30/2009 |
| Robert L. Sligh, Jr., Trustee | 12/17/2001 | 6/30/2010 |
| Ruth A. Crouch, Trustee | 11/15/2004 | 6/30/2010 |
| Victor V. Claar, Ph.D., Trustee | 10/17/2005 | 6/30/2010 |
| John J. Krupczak, Jr., Ph.D., <i>Trustee</i> | 10/17/2005 | 6/30/2009 |

School Administration

David M. Angerer Head of School

Gregory J. Dykhouse, Ph.D. Director of Academics

Nicole Y. Sinclair Director of Student Services

Dwight D. Avery, CPA Director of Business Services

Instructional Staff Leadership

Shannon E. Brunink Fine Arts & Foreign Language Team Leader

Rhonda L. Pardue Math & Science Team Leader

Jeanne L. Kane Humanities Team Leader

Barbara K. Eriks Elementary Team Leader

James P. Brinkman Student Support Team Leader



MISSION STATEMENT

Our mission is to prepare each student for college and for life through a challenging curriculum which accommodates individual learning styles. We want to have our students discover responsibility for their own lives as well as empathy for all people and cultures. Through a deep respect for independent thinking, we strive to guide our students in their personal growth toward a genuine self-knowledge so that they can achieve their full human potential.

BELIEFS

We believe the school's responsibility in education is to bring curiosity, challenge, pleasure and a sense of accomplishment into our students' lives.

We believe it is through commitment and determination that students stretch the limits of their minds in the joy and celebration of learning.

We believe education must not be a race for the accumulation of facts, but should provide the basic tools and ideas for learning so that education will be an enriching end in itself.

We believe certain skills to be essential for all of our graduates: To read well, to write clearly and coherently, to study effectively, to reason soundly, and to question thoughtfully and creatively.

CURRICULUM

Our Core Curriculum will be English, foreign language, mathematics, history and politics, natural sciences, the arts and applied technology. All courses will be taught within an integrated curriculum, demonstrating relationships among the fields of study.

Students will experience a progression of learning based not on chronological age, but on understanding.

Our students will be provided with non-languagebased processes for intuitive insight and the development of meaning, in addition to rational academic processes.

Our curriculum includes involvement with the local community and concern for worldwide issues, which aid in discovering an ability and a responsibility to make a difference in the world. Our students will participate in service and extracurricular projects within the Greater Holland communities.

METHODS

Our faculty are academic coaches, providing academic leadership as well as guidance toward learning and personal growth. We embrace the Socratic method and experiential learning as primary pedagogical tools.

Students will acquire the knowledge and skills needed to make personal decisions leading toward physical and emotional well being.

There will be a clear disciplinary code for all students.

Everything taught at our school endeavors to be a life-long skill, whether it be literary, linguistic, athletic, artistic, scientific, mathematical or historical.

CULTURE

To succeed in our mission we need the students' and parents' active partnership and agreement with the School Mission, which includes a personal commitment to serious academic challenge.

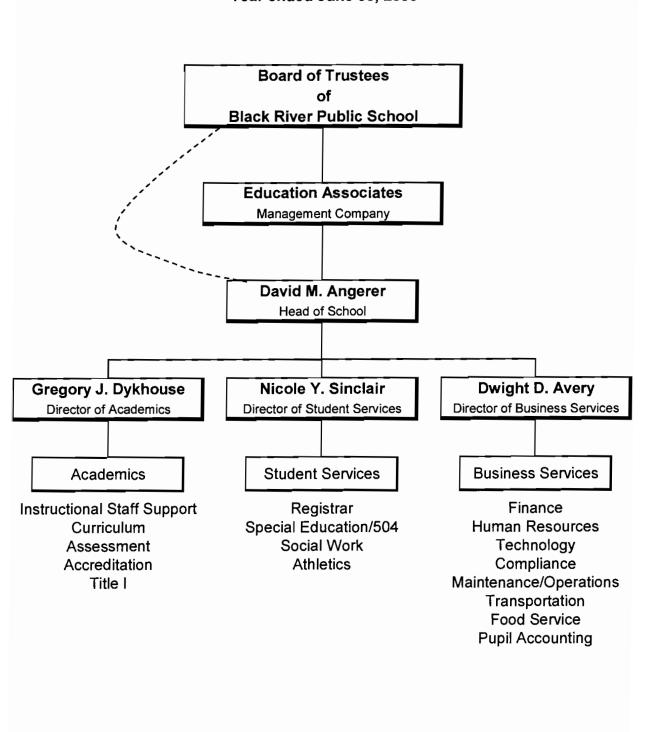
The atmosphere of the school is that of a safe place in which students feel free to develop individual ideas and styles. Our faculty stresses unanxious expectations; making errors is a necessary part of the learning process.

The culture of our school is one of mutually respectful interaction between adults and students; we recognize the need of living enlightened and humane lives.

We encourage a student population of social, economic and racial diversity.

We will be an Elementary School, a Middle School and a High School and strive for a small population of students of approximately 800, and classes will be targeted to be an average class size of 20.

Black River Public School Organizational Chart Year ended June 30, 2008



ASSOCIATION OF SCHOOL BUSINESS OFFICIALS



This Certificate of Excellence in Financial Reporting is presented to

BLACK RIVER PUBLIC SCHOOL

For its Comprehensive Annual Financial Report (CAFR)

For the Fiscal Year Ended June 30, 2007

Upon recommendation of the Association's Panel of Review which has judged that the Report substantially conforms to principles and standards of ASBO's Certificate of Excellence Program

President

Frome & Brendel

Executive Director

John D. Musso

INDEPENDENT AUDITORS' REPORT

October 1, 2008

Board of Trustees Black River Public School Holland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **BLACK RIVER PUBLIC SCHOOL** (the "School"), as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Black River Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Black River Public School as of June 30, 2008, and the respective changes in financial position, and the budgetary comparison of the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2008 on our consideration of Black River Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

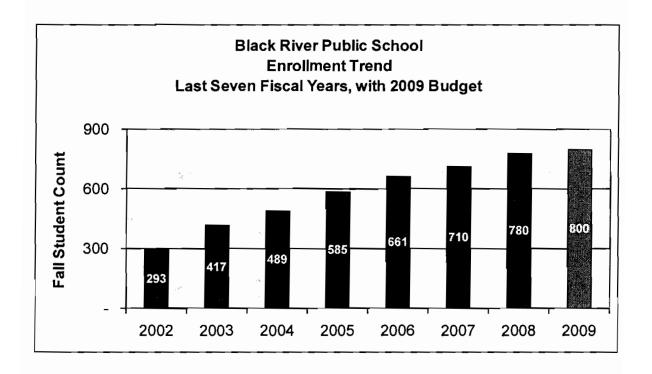
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Black River Public School's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of Black River Public School's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Rehmann Loham

As management of Black River Public School, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found in the introductory section of this report, and the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- Enrollment in grades K-12 increased 9.9% to 780, its highest level ever.
- Net assets increased by \$0.59 million, or 10.1%, over June 30, 2007.
- Overall revenues were \$6.8 million compared to \$6.2 million of expenses.
- Black River's general fund revenues rose 13.5% to \$6.58 million, \$0.46 million more than expenditures and other financing uses.
- General fund instruction and support services costs, a measure of the cost of day-to-day school operations, rose 13.1% to \$5.05 million.
- A \$208,000 renovation to an existing storage building was completed in August 2007, supplying space for Black River's first kindergarten class, which enrolled 43 students in its Montessori-style program.
- Following the implementation of a point-of-sale food service program, food service revenues increased 84% to \$123,000. There were 44,800 school lunches served (255 per day), an increase of 82%, and the first-ever school breakfast program served 5,000 meals.



USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Black River Public School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

Reporting the School as a Whole

The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about Black River's overall financial status. These are the Statement of Net Assets and the Statement of Activities, which report the School's net assets on page 16 and changes in those assets on page 17. These statements use a full accrual basis of accounting, which is similar to the accounting used by private sector corporations. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Reporting the School's Most Significant Funds

The remaining statements are *fund financial statements*, which begin on page 18 and focus on individual parts of the School, reporting the School's operations in *more detail* than the *government-wide* statements.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the School acts solely as a trustee or agent for the benefit of others. Student activity funds, for example, are held in a school bank account on behalf of the student groups.

The fund financial statements are reported on a modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Using this basis of accounting, the fund financial statements recognize revenues when both measurable and available as more fully described in the notes to the financial statements. The relationship (or differences) between governmental activities (as reported in the Statement of Net Assets and Statement of Activities) and governmental funds is reconciled in the financial statements.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *supplementary information*, which provides detail on original budget and final budget with a comparison to operating results.

REPORTING THE SCHOOL AS A WHOLE: GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the governmental activities of Black River as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School's assets and liabilities, both short and long term, regardless of whether they are "currently available." For example, assets that are restricted for use in the Debt Retirement Fund solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund.

The Statement of Net Assets on page 16 provides the perspective of the School as a whole. Black River Public School experienced an increase in net assets of \$585,562 (10.1%). The following table shows the condensed statement of net assets compared to prior year.

Condensed Statement of Net Assets (dollars in thousands)

| | | nmental vities | Percentage Change |
|-----------------------------|---------------|-------------------|-------------------|
| | 2007 | 2008 | 2007-2008 |
| ASSETS | | | |
| Current and other assets | \$ 3,609 | \$ 3,691 | 2.3 % |
| Capital assets, net | 11,956 | 11,776 | -1.5 |
| Total assets | 15,565 15,467 | | -0.6 |
| LIABILITIES | | | |
| Long-term debt outstanding | 8,725 | 8,128 | -6.8 |
| Other liabilities | 1,053 | 967 | -8.2 |
| Total liabilities | 9,778 | 9,095 | -7.0 |
| NET ASSETS | | | |
| Invested in capital assets, | | | |
| net of related debt | 2,629 | 3,050 | 16.0 |
| Restricted | 2,235 | 1,930 | -13.6 |
| Unrestricted | 923 | 1,392 | 50.8 |
| Total net assets | \$ 5,787 | \$ 6,372 | 10.1 |

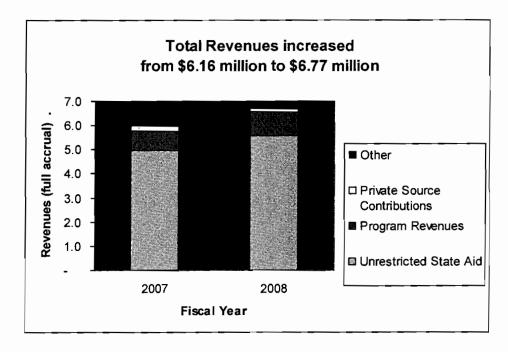
The following table presents the revenues and expenses for the current fiscal year compared to prior year for the School as a whole.

Changes in Net Assets from Operating Results (in thousands of dollars)

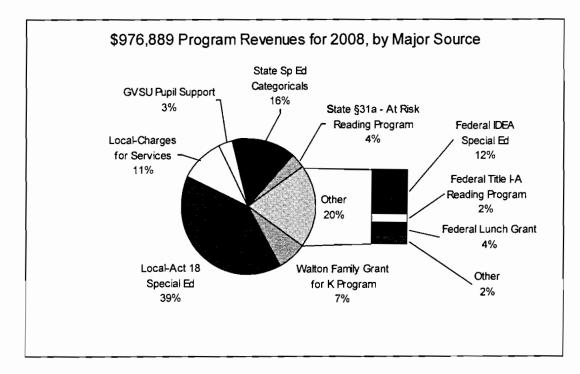
| • | Gover Activ | Percentage Change | |
|----------------------------------|----------------|----------------------|-----------|
| | 2007 | 2008 | 2007-2008 |
| REVENUES | | | |
| Program revenues: | | | |
| Charges for services | \$ 49 | \$ 108 | 120.4 % |
| Operating grants & contributions | 748 | 869 | 16.2 |
| General revenues: | | | |
| State school aid, unrestricted | 4,966 | 5,576 | 12.3 |
| Other | 397 | 221 | -44.3 |
| Total revenues | 6,160 | 6,774 | 10.0 |
| EXPENSES | | | |
| Instruction | 3,061 | 3,623 | 18.4 |
| Support Services | 1,692 | 1,832 | 8.3 |
| Food Service | 62 | 132 | 112.9 |
| Athletics | 66 | 63 | -4.5 |
| Yearbook | 12 | 8 | -29.0 |
| Community recreation | - | 13 | |
| Interest on debt | 503 | 517 | 2.8 |
| Total expenses | 5,396 | 6,188 | 14.7 |
| Increase in net assets | \$_764 | \$ 586 | |

As reported in the Statement of Activities on page 17, the cost of all governmental activities was \$6.188 million, an increase of \$792,000, or 14.7%, from the prior year. Certain activities were partially funded by charges for services of \$108,000 paid by those who benefited from the programs and services. Governments and organizations subsidized certain programs with operating grants and contributions totaling \$869,000. The remaining "public benefit" portion of governmental activities was funded with \$5.576 million in unrestricted state school aid, \$111,000 in private contributions, and with other revenues such as earnings on investments and deposits.

Total revenues were \$6.77 million, an increase of 10.0% from the prior year.



Program revenue is made up of Charges for Services and Operating Grants and Contributions. The composition of program revenue is illustrated by the following chart.



The \$180,000 increase (22.6%) over prior year program revenues is summarized in the following table:

Categories of program revenue funding (dollars in thousands)

| | | | Incr. | |
|--------------------------------|-------------|-------------|---------|------------|
| | <u>2007</u> | <u>2008</u> | (Decr.) | <u>Pct</u> |
| Walton kindergarten grant | \$ - | \$ 67 | \$ 67 | % |
| Food service fees/grants | 66 | 122 | 56 | 84.8 |
| Special education categoricals | 607 | 659 | 52 | 8.6 |
| Community recreation fees | - | 12 | 12 | |
| Middle school math state grant | 12 | - | (12) | -100.0 |
| Other program revenues | <u>112</u> | <u>117</u> | 5 | 4.5 |
| Total | \$ 797 | \$ 977 | \$ 180 | 22.6 |

The School recognized \$66,711 from a one-time startup grant provided by the Walton Family Foundation (Bentonville, AR) to support the first year startup operations of Black River's first-ever Montessori-style kindergarten program. The gift was received and reported as deferred revenue in the prior year and grant funds were expended and program revenue recognized in the current year.

As mentioned in the Financial Highlights on page 3, the school experienced a significant increase in food service revenue following implementation of a point-of-sale system that allows students to receive a school lunch and - for the first time - receive a school breakfast by entering a PIN that (a) deducts the meal cost from money deposited on account for paying customers, and/or (b) records for grant reporting purposes the delivery of meals to students eligible for free and reduced-price meals.

After the opening of its new gymnasium in the spring of 2007, the School's athletics department began a community recreation program in July 2007 that includes basketball and volleyball summer sports camps for middle school and high school age children in the community.

REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS: FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds — not the school organization as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law, while other funds may be established by the School to help manage money for particular purposes.

The School has two kinds of funds:

• Governmental Funds: Most of the School's basic instructional and support services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements on

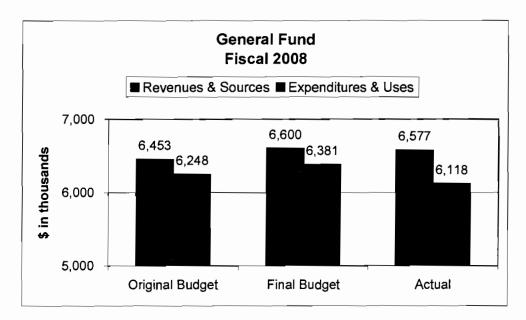
pages 18 and 20 provide a detailed short-term view that helps to illustrate whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information follows each Governmental Funds statement on pages 19 and 21 to explain the relationship (or reconcile the differences) between the government-wide statements and Governmental Funds statements.

Black River's Governmental Funds include the general fund, special revenue funds, debt service fund, and capital projects fund.

• Fiduciary Funds: The School is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activities. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the School's fiduciary activity balances are reported in a separate Statement of Fiduciary Assets and Liabilities on page 23. The School excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

General Fund Budgetary Highlights

As required by state law, the Board of Trustees adopted a balanced budget prior to the start of the fiscal year. During the fiscal year ended June 30, 2008, the School revised the general fund budget once. The general fund actual results and the original and final budgets are summarized in the following table.



Revenues. The overall difference between the original budget and the final amended budget for revenues reflected an increase of \$147,000 (2.3%). Actual general fund revenues were \$22,930 (0.3%) less than the final budget.

Expenditures. The final amended budget for general fund expenditures and other financing uses was greater than the original budget by \$133,000 (2.1%). Actual expenditures and other financing uses were \$263,000 (4.1%) favorable to the final budget. Spending was less than or equal to the final budget appropriations in every functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2008, Black River had invested \$11.776 million in capital assets net of depreciation, a decrease of \$180,000 (1.5%) from the prior year. The following schedule presents capital asset balances net of depreciation as of the current and prior year year-end dates.

| Capital assets, net of depreciation | Governmental | | | |
|-------------------------------------|--------------|--------------|------|------------|
| (in thousands of dollars) | | Activities | | |
| | | <u> 2007</u> | | 2008 |
| Land and improvements | \$ | 452 | \$ | 452 |
| Construction in progress | | 127 | | 5 |
| Buildings and improvements | 11 | 1,141 | 1 | 1,112 |
| Vehicles | | 29 | | 20 |
| Furniture and equipment | | 207 | | <u>187</u> |
| | \$ 11 | 1.956 | \$ 1 | 1,776 |

An analysis of the \$180,000 decrease in net capital assets is provided by the table below, which illustrates net capital additions of \$205,000 offset by \$385,000 in depreciation.

| Analysis of changes in capital assets | | | | | |
|---------------------------------------|----------------|------------------|----------------|-----------------|--|
| (in thousands of dollars) | Music/Gym | Kindergarten | Other | | |
| | Project Wrapup | Building Project | <u>Capital</u> | <u>Total</u> | |
| Capital assets placed in service: | | | | | |
| Building & improvements | \$ 31 | \$ 154 | \$ - | \$ 185 | |
| Equipment & furnishings | - | 55 | 10 | 65 | |
| Site work | <u>71</u> | 6 | | 77 | |
| Total | 102 | 215 | 10 | 327 | |
| Construction in progress: | | | | | |
| Less CIP at beginning of year | (35) | (92) | - | (127) | |
| Plus CIP at end of year | 5 | | | 5 | |
| Current year capital additions | 72 | 123 | 10 | 205 | |
| Less current year depreciation | (60) | (4) | (321) | (385) | |
| Change in capital assets, net | \$ 12 | \$ 119 | \$ (311) | \$ (180) | |

The most significant current year capital project involved renovation of the storage building on campus at 212 East 20th Street, which was completed during the summer prior to the 2007-08 academic year in time to house the Montessori-style kindergarten program's first year of

operation. Finishing touches on the gymnasium/cafeteria/music building project that was substantially complete and placed in service at the end of the prior year accounted for \$72,000 of the additions to capital assets.

Additional information about the School's capital assets may be found in note 4 on page 31.

Debt. At June 30, 2008, Black River had \$8.725 million in outstanding debt, which represents a decrease of 6.5 percent. During the year, the school redeemed \$225,000 of the Series 2006 Special Sinking Funds Bonds, using collections of promises-to-give received from donors to the School's capital fundraising campaign who supported the 2006 building project. The remaining \$377,000 reduction in long-term debt represents the timely payment of principal amounts due on the other obligations. The following table summarizes long-term debt as of the current and prior year-end dates.

| Outstanding debt | Governmental | | |
|--------------------------------|-----------------|----------------|--|
| (in thousands of dollars) | Act | ivities | |
| | <u>2007</u> | <u>2008</u> | |
| Series 2006 bonds: | | | |
| Refunding bonds | \$ 5,945 | \$ 5,845 | |
| Project financing bonds | 2,415 | 2,380 | |
| Special sinking fund bonds | <u>450</u> | 225 | |
| | 8,810 | 8,450 | |
| Note payable – 2003 classrooms | 105 | 21 | |
| Note payable – 2004 classrooms | 204 | 115 | |
| Note payable to BASF Corp. | 208 | 139 | |
| | <u>\$ 9.327</u> | <u>\$8,725</u> | |

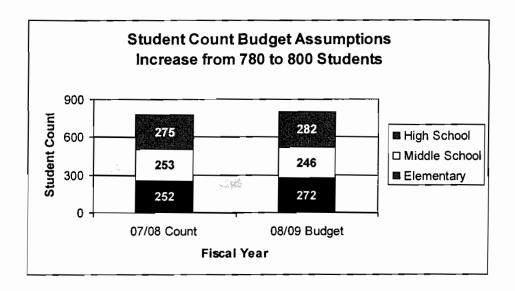
Additional information about the School's long-term debt can be found in note 7 beginning on page 33.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Many factors were considered by the School's administration during the process of developing the fiscal year 2008-09 budget. The principal factor was the School's anticipated student enrollment, which drives staffing requirements and other variable costs. Staffing costs typically represent more than 70 percent of general fund expenditures.

Budgeted Student Count

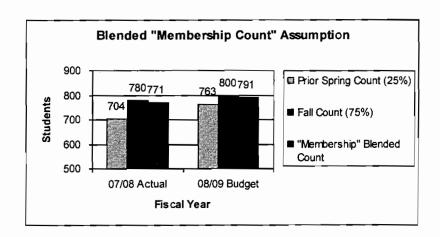
The principal factor driving operating revenues and expenses is the count of students enrolled and in attendance at Black River on the fall count day in September and spring count day in February. The School's open enrollment closes on the last Monday in February at which time management plans for the size of each grade during the spring budgeting and strategic planning process.



Each grade at the secondary level is planned based on sections of approximately 20 students. The budgeted increase in the size of the elementary school results from opening a fifth upper elementary Montessori classroom for 20 fourth and fifth grade students.

Budgeted State School Aid, Foundation Grant

The state foundation grant revenue is determined by multiplying the blended student count by the per-pupil foundation allowance. Generally, the membership count is computed by adding 75% of the current fall count to 25% of the prior spring count. The 2009 budget was built on a membership blend of 791 as illustrated in the following table.



Foundation revenue for 2008-09 is budgeted to increase accordingly as illustrated in the table below. A provision in the State School Aid Act specifies that for a grade not offered in the previous school year the fall student count for that grade is blended 50/50 with the current school year spring count for that grade. The School enrolled 43 students in the new kindergarten grade for both the fall and spring counts for 2007-08 and received a full foundation allowance for 43 kindergarten pupils in the membership calculation.

Student Membership and Foundation Grant Revenue Last Six Fiscal Years, with 2008-09 Budget

| Fiscal Year | Fall Count (FTE) | Membership Pupils | Per-Pupil Foundation Allowance | Total Foundation <u>Gra</u> nt |
|----------------|---------------------|----------------------|--------------------------------------|--------------------------------------|
| 2002-03 | 415.00 | 386.43 | \$ 6,838 | \$ 2,642,408 |
| 2003-04 | 487.80 | 467.67 | 6,764 | 3,163,320 |
| 2004-05 | 584.15 | 574.71 | 6,838 | 3,929,867 |
| 2005-06 | 660.60 | 637.14 | 7,013 | 4,468,263 |
| 2006-07 | 709.60 | 695.16 | 7,223 | 5,021,141 |
| 2007-08 | 778.95 | 770.97 | 7,339 | 5,658,149 |
| 2008-09 | 800.00 | 790.63 | 7,400 | 5,850,662 |

Because of the favorable new-grade treatment for kindergarten enrollment, the membership pupil computation was 10.75 higher and the foundation grant was \$78,894 more than it would have been with a standard 75/25 blend across all K-12 grades.

Budgeted Staffing Resources

Based on student registrations at the close of open enrollment, staffing was budgeted for 2008-09 as shown in the following table:

Staffing Level History (FTE) Last Six Fiscal Years, with 2008-09 Budget

| | 02/03 | 03/04 | 04/05 | 05/06 | 06/07 | 07/08 | <u>08/09</u> |
|----------------------|-------|----------|-------|-------|-------|-------|--------------|
| Instructional Staff: | | | | | | | |
| Elementary | 3.40 | 4.50 | 8.50 | 10.95 | 11.50 | 13.65 | 14.65 |
| Middle School | 10.10 | 11.95 | 11.95 | 11.80 | 12.52 | 14.46 | 14.46 |
| High School | 12.20 | 15.20 | 13.90 | 16.50 | 17.80 | 18.55 | 18.35 |
| Special Education | 4.00 | 5.15 | 4.80 | 5.85 | 7.41 | 8.38 | 8.38 |
| Compensatory Ed | | <u> </u> | 2.00 | 2.00 | 2.50 | 3.00 | <u>3.00</u> |
| Instruction Subtotal | 29.70 | 36.80 | 41.15 | 47.10 | 51.73 | 58.04 | 58.49 |
| Other Staff | 9.30 | 8.05 | 9.65 | 10.05 | 11.35 | 10.85 | 12.22 |
| Total Staffing | 39.00 | 44.85 | 50.80 | 57.15 | 63.08 | 68.89 | 70.71 |

Budgeted Revenues and Expenditures

Taking into consideration all these factors, management developed the 2008-09 general fund budget as shown in the following table:

General Fund Changes in Fund Balance Last Six Fiscal Years, with 2008-09 Budget (dollars in thousands)

| (dollars in thousands) | | | | | | | |
|--------------------------------|----------------|-----------------|----------------|----------------|----------------|-----------------|-----------------|
| (, | 2002-03 | <u>2003-04</u> | <u>2004-05</u> | <u>2005-06</u> | <u>2006-07</u> | 2007-08 | <u>2008-09</u> |
| Revenues | <u>\$3,086</u> | \$3 <u>,586</u> | <u>\$4,609</u> | \$5,044 | <u>\$5,815</u> | \$ 6,577 | \$6,67 <u>1</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| Instruction | 1,438 | 1,807 | 2,114 | 2,412 | 2,813 | 3,339 | 3,588 |
| Support services | 1,160 | 1,175 | 1,396 | 1,492 | 1,654 | 1,713 | 1,868 |
| Capital outlay | - | - | 52 | 82 | 2 | 26 | 89 |
| Debt Service: | | | | | | | |
| Principal | - | 26 | 92 | 241 | 272 | 241 | 183 |
| Interest | | 12 | <u>25</u> | 23 | <u> 18</u> | 9 | 3 |
| Total expenditures | <u>2,598</u> | 3,020 | 3,679 | 4,250 | <u>4,759</u> | 5,329 | <u>5,731</u> |
| Rev over/(under) Exp | 488 | 566 | 930 | 794 | 1,056 | 1,249 | 940 |
| Transfers: | | | | | | | |
| to Special Revenue | (62) | (77) | (60) | (47) | (59) | (52) | (60) |
| to Debt Service | (449) | (397) | (402) | (463) | (603) | (657) | (670) |
| to Capital Projects | | (82) | (179) | (80) | (80) | (80) | |
| Change in fund balance | (23) | 10 | 289 | 204 | 314 | 469 | 210 |
| Fund balance, beginning | 106 | 83 | 93 | 382 | 586 | 900 | 1,359 |
| Fund balance, ending | \$ 83 | \$ 93 | \$ 382 | \$ 586 | \$ 900 | \$1,359 | \$1,569 |
| Fund balance as a percentage | | | | | | | |
| of expenditures plus transfers | 2.7% | 2.6% | 8.8% | 12.1% | 16.4% | 22.2% | 24.3% |

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

The School's financial statements are designed to present a general overview of the School's finances for all those with an interest in the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the School's business office at Black River Public School, 491 Columbia Avenue, Holland, MI 49423-4838.

BASIC FINANCIAL STATEMENTS

Black River Public School Statement of Net Assets June 30, 2008

| | Governmental Activities | |
|---|--|--|
| ASSETS | | |
| Cash and cash equivalents (Note 3) | \$ 938,325 | |
| Investments (Note 3) | 1,102,564 | |
| Accounts receivable | 1,586 | |
| Due from other governmental units | 1,145,962 | |
| Pledges receivable | 217,543 | |
| Deferred charges | 286,000 | |
| Capital assets (Note 4): | | |
| Non-depreciable | 457,359 | |
| Depreciable, net | 11,318,158 | |
| Total assets | 15,467,497 | |
| LIABILITIES Accounts payable Due to other governmental units Accrued contracted staffing costs Accrued interest | 28,213 41,101 460,796 157,683 | |
| Unearned revenue | 9,932 | |
| Long-term liabilities (Note 8): | | |
| Due within one year | 597,499 | |
| Due in more than one year | 8,127,890 | |
| Deferred loss on refunding | (328,000) | |
| Total liabilities | 9,095,114 | |
| NET ASSETS Invested in capital assets, net of related debt | 3,050,128 | |
| Restricted for capital projects | 371,422 | |
| Restricted for debt service | 1,558,881 | |
| Unrestricted | 1,391,952 | |
| Total net assets | \$ 6,372,383 | |
| | Ţ 5,0.2,000 | |

Black River Public School Statement of Activities For the Year Ended June 30, 2008

| | | Program Revenues | | | | | |
|--------------------------------------|--|------------------|-----------|-----------------|-----------|---------|--------------|
| | | | Operating | | | | |
| | | | harges | | rants and | Ne | et (Expense) |
| Functions / Programs | Expenses | for | Services | s Contributions | | Revenue | |
| Covernmental activities: | | | | | | | |
| Governmental activities: Instruction | \$3,623,007 | \$ | | \$ | 794,271 | \$ | (2,828,736) |
| | | Ф | - | Ф | • | Ф | |
| Supporting services | 1,832,362 | | 70.454 | | 31,339 | | (1,801,023) |
| Food services | 131,570 | | 79,154 | | 43,270 | | (9,146) |
| Athletics | 62,807 | | 7,520 | | - | | (55,287) |
| Yearbook | 8,287 | | 9,600 | | - | | 1,313 |
| Community services | 12,642 | | 11,735 | | - | | (907) |
| Interest on long-term debt | 517,446 | . — | | | | | (517,446) |
| Total governmental activities | \$6,188,121 | _\$ | 108,009 | \$ | 868,880 | | (5,211,232) |
| | General reve Contributio | | | sou | ırces, | | |
| | unrestricted | | | | 111,061 | | |
| | State of Michigan school aid, unrestricted | | | | 5,575,732 | | |
| | Miscellaneous general revenue | | | | 52,280 | | |
| | Unrestricted investment earnings | | | | 57,721 | | |
| | Total general revenues | | | | 5,796,794 | | |
| | · | | | | | | |
| | Change in net assets | | | | 585,562 | | |
| | Net assets, beginning of year | | | | 5,786,821 | | |
| | Net assets, end of year | | | \$ | 6,372,383 | | |

Black River Public School Balance Sheet Governmental Funds

June 30, 2008

| | General | Debt Service | Capital Projects | Non-Major Governmental Funds | Total |
|--|-----------------------|-----------------|---------------------|------------------------------------|--------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 746,499 | \$ - | \$ 158,808 | \$ 33,018 | \$ 938,325 |
| Investments | - | 1,102,564 | - | - | 1,102,564 |
| Accounts receivable | 1,210 | - | - | 376 | 1,586 |
| Due from other governmental units | 1,145,962 | - | - | - | 1,145,962 |
| Pledges receivable | | | 217,543 | | 217,543 |
| Total assets | \$ 1,893,671 | \$ 1,102,564 | \$ 376,351 | \$ 33,394 | \$ 3,405,980 |
| LIABILITIES AND FUND BALANCES Liabilities: | | | | | |
| Accounts payable | \$ 23,284 | \$ - | \$ 4,929 | \$ - | \$ 28,213 |
| Due to other governmental units | 41,101 | - | - | - | 41,101 |
| Accrued contracted staffing costs | 446,773 | - | - | - | 446,773 |
| Deferred revenue | 23,118 | | 217,543 | 9,932 | 250,593 |
| Total liabilities | 534,276 | | 222,472 | 9,932 | 766,680 |
| Fund balances: | | | | | |
| Unreserved, reported in: | | | | | |
| General fund | 1,359,395 | - | - | - | 1,359,395 |
| Special revenue funds | - | - | - | 23,462 | 23,462 |
| Debt service | - | 1,102,564 | - | - | 1,102,564 |
| Capital projects | | | 153,879 | | 153,879 |
| Total fund balances | 1,359,395 | 1,102,564 | 153,879 | 23,462 | 2,639,300 |
| Total liabilities and fund balances | \$ 1 <u>,</u> 893,671 | \$ 1,102,564 | \$ 376,351 | \$ 33,394 | \$ 3,405,980 |

Black River Public School

Reconciliation of

Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets June 30, 2008

| Fund balances - total governmental funds | \$ 2,639,300 |
|---|---------------------------|
| Amounts reported for governmental activities in the statement of net assets are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Add - capital assets Deduct - accumulated depreciation | 14,171,040 (2,395,523) |
| Certain assets, such as pledges receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the fund. | |
| Add - deferred pledges receivable | 217,543 |
| Add - deferred program revenues receivable | 23,118 |
| Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds. | |
| Deduct - notes & bonds payable | (8,725,389) |
| Deduct - accrued interest | (157,683) |
| Deduct - accrued contracted staff compensated absences | (14,023) |
| Unamortized bond issue costs, premiums, and deferred refunding costs are not recorded in the fund statements, but are recorded as noncurrent assets or noncurrent contra-liabilities in the statement of net assets | |
| Add - deferred charges | 286,000 |
| Add - deferred loss on refunding | 328,000 |
| Net assets of governmental activities | \$ 6,372,383 |

Black River Public School Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2008

| | General | Debt Service | Capital Projects | Non-Major Governmental Funds | Total |
|--------------------------------------|---------------------|-----------------|---------------------|------------------------------------|-------------|
| REVENUE | | | | | |
| Local sources | \$ 632,504 | \$ 36,983 | \$ 135,299 | \$ 112,360 | \$ 917,146 |
| Intermediate sources | 31,339 | - | - | - | 31,339 |
| State sources | 5,766,106 | - | - | 1,011 | 5,767,117 |
| Federal sources | 147,388 | - | - | 42,259 | 189,647 |
| Total revenue | 6,577,337 | 36,983 | 135,299 | 155,630 | 6,905,249 |
| EXPENDITURES | | | | | |
| Instruction | 3,339,381 | - | - | - | 3,339,381 |
| Supporting services | 1,713,382 | - | - | 174,766 | 1,888,148 |
| Community services | - | - | - | 12,642 | 12,642 |
| Capital outlay | 25,759 | - | 214,917 | 16,511 | 257,187 |
| Debt service: | | | | | |
| Principal | 241,290 | 360,000 | - | - | 601,290 |
| Interest | 9,016 | 489,645 | | | 498,661 |
| Total expenditures | 5,328,828 | 849,645 | 214,917 | 203,919 | 6,597,309 |
| Revenue over (under) expenditures | 1,248,509 | (812,662) | (79,618) | (48,289) | 307,940 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | 881,816 | 80,000 | 51,962 | 1,013,778 |
| Transfers out | (788,778) | _ | (225,000) | - | (1,013,778) |
| Total other financing sources (uses) | (788,778) | 881,816 | (145,000) | 51,962 | _ |
| Net changes in fund balances | 459,731 | 69,154 | (224,618) | 3,673 | 307,940 |
| Fund balances, beginning of year | 899,664 | 1,033,410 | <u>378,497</u> | 19,789_ | 2,331,360 |
| Fund balances, end of year | \$1,35 <u>9,395</u> | \$1,102,564 | \$ 153,879 | \$ 23,462 | \$2,639,300 |

Black River Public School

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2008

| Net change in fund balances - total governmental funds | \$ 307,940 |
|---|----------------------|
| Amounts reported for <i>governmental activities</i> in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Add - additions to capital assets Deduct - depreciation expense | 204,463 (384,687) |
| Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but a reduction in long-term liabilities on the statement of net assets. | |
| Deduct - amortization of deferred loss on refunding Add - principal payments on long-term liabilities | (14,000) 601,290 |
| Some revenues reported in the statement of activities do not create current financial resources and therefore are not reported as revenues in the funds. | |
| Deduct - change in deferred receivables | (131,566) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. | |
| Deduct - amortization expense on net deferred bond costs Add - decrease in accrued liabilities | (12,300) 14,422 |
| | · · |
| Change in net assets of governmental activities | \$ 585,562 |

Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual General Fund

For the Year Ended June 30, 2008

| | Budgeted | i Amounts | Actual | Variance with Final Budget Positive |
|----------------------------------|------------------|-------------------|--------------|---|
| | Original | Final | Amounts | (Negative) |
| REVENUE | | | _ | |
| Local sources | \$ 563,000 | \$ 655,000 | \$ 632,504 | \$ (22,496) |
| Intermediate sources | 30,000 | 31,000 | 31,339 | 339 |
| State sources | 5,696,000 | 5,763,804 | 5,766,106 | 2,302 |
| Federal sources | 164,000 | 150,463 | 147,388 | (3,075) |
| Total revenue | 6,453,000 | 6,600,267 | 6,577,337 | (22,930) |
| EXPENDITURES | | | | |
| Instruction | 3,290,000 | 3,460,000 | 3,339,381 | 120,619 |
| Supporting services | 1,851,000 | 1,849,000 | 1,713,382 | 135,618 |
| Capital outlay | 50,000 | 26,647 | 25,759 | 888 |
| Debt service: | | | | |
| Principal | 241,500 | 241,500 | 241,290 | 210 |
| Interest | 9,100 | <u>9,100</u> | 9,016 | 84 |
| Total expenditures | <u>5,441,600</u> | <u>5,5</u> 86,247 | 5,328,828 | <u>257,419</u> |
| Revenue over expenditures | 1,011,400 | 1,014,020 | 1,248,509 | 234,489 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (806,750) | <u>(794,816)</u> | (788,778) | 6,038 |
| Net changes in fund balances | 204,650 | 219,204 | 459,731 | 240,527 |
| Fund balances, beginning of year | 899,664 | 899,664 | 899,664 | |
| Fund balances, end of year | \$ 1,104,314 | \$ 1,118,868 | \$ 1,359,395 | \$ 240,527 |

The accompanying notes are an integral part of these basic financial statements.

Statement of Fiduciary Assets and Liabilities Agency Fund June 30, 2008

ASSETS

| Cash and cash equivalents | \$ 66,846 |
|---------------------------------|--------------|
| LIABILITIES | |
| G.W. Haworth Memorial Fund | \$ 25,842 |
| Guarr Memorial Fund | 6,622 |
| Due to BRPS parent organization | 16,218 |
| Due to student and other groups | 18,164 |
| Total liabilities | \$ 66,846 |

The accompanying notes are an integral part of these basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of Black River Public School (the "School") consistently applied in the preparation of the accompanying financial statements follows.

Black River Public School, Holland, Michigan, is a not-for-profit Michigan public school academy, which provides education to children in grades K-12 from the surrounding community. Black River Public School operates under a charter approved by the Board of Trustees of Grand Valley State University, which is responsible for oversight of the School's operations.

The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the reporting entity of Black River Public School. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the School reporting entity which includes no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School had no business-type activities during the year ended June 30, 2008.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted State school aid and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus. Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (reporting the School as a whole) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State school aid is recognized as revenue in the fiscal year of the school year for which it is apportioned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting and does not have a measurement focus.

Governmental fund financial statements (reporting the School's major funds) are reported using the *current financial resources measurement* focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State school aid, expenditure-driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the school.

Governmental Funds

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use and balances of the School's expendable financial resources and the related current liabilities are accounted for through governmental funds. The School reports the following major governmental funds:

The *general fund* is the School's primary operating fund and is used to record the general operations of the School pertaining to education. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The debt service fund accounts for receipt of funds and payment of interest, principal, and related cost of certain long term debt.

The *capital projects fund* accounts for the accumulation and disbursement of resources for the acquisition or construction of major capital items.

Additionally, the School reports the following fund types:

Special revenue funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The School maintains three special revenue funds: Food Service, Athletics, and Yearbook.

Fiduciary funds are used to account for assets held by the School in a trustee capacity or as agent. The School's only fiduciary fund is the Agency Fund, which is used to account for assets held by the School as agent for student activities and other school-related organizations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all unrestricted state aid, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for general and special revenue funds as required by the State of Michigan Uniform Budgeting and Accounting Act, as amended by Public Act 621 of 1978 ("Public Act 621"). The School follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. The Head of School and Director of Business Services submit to the Board a proposed operating budget for the fiscal year commencing the following July 1.
- 2. A public hearing is conducted to obtain public comments.
- 3. The budget is legally enacted through passage of a resolution.
- 4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
- 5. Adoption and amendments of all budgets used by the School are governed by Public Act 621, which was followed for the year ended June 30, 2008. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget developed by the Head of School and Director of Business Services. Any revisions that alter the total expenditures of any fund must be approved by the School Board.

Encumbrances

The School does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

Deposits and Investments

The School considers cash on hand, demand deposits and short-term investments with an original maturity of three months or less when purchased to be cash and cash equivalents. All investments are recorded at fair value.

Receivables

The School follows the practice of recording as receivables revenues that have been earned but not yet received. Pledges receivable are reported net of an allowance for uncollectible pledges of \$11,873, and include \$111,836 expected to be collected in more than one year.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 20-50 |
| Machinery and equipment | 10-20 |
| Vehicles | 5-8 |

Accrued Contracted Staffing Costs

A liability is recorded at June 30 for amounts owed to Education Associates, the School's non-profit management company, for those amounts owed by Education Associates to teachers and other staff members who do not work during the summer but are contracted to have their salaries paid over a twelve-month period. This has the effect of properly charging these contracted staffing costs to expenditures in the fiscal year in which the services are received, even though they are not paid until July and August of the following fiscal year.

The School has also recorded accrued contracted staffing costs for amounts to be reimbursed to Education Associates after June 30, 2008, for the post-year-end cost to Education Associates of funding FICA, staff health insurance and compensated absences costs, as well as retirement plan funding, related to the services of School staff during the school year and fiscal year ended June 30, 2008, as follows:

| Accrual for reimbursement of: | |
|--|-----------|
| Contracted staff cost, salaries and payroll taxes | \$281,142 |
| Contracted staff cost, retirement contributions after June 30 | 165,631 |
| Accrued contracted staffing costs, on governmental funds balance sheet | 446,773 |
| Contracted staff cost, provision for compensated absences | 14,023 |
| Accrued contracted staffing costs, on statement of net assets | \$460,796 |

Education Associates has no other post-employment benefit plans and therefore no other liabilities for which the potential liability for reimbursement by the School could require provision or disclosure under Governmental Accounting Standards Board (GASB) Statement No. 50, Pension Disclosures, GASB Statement No. 43, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, or GASB 45, Accounting and Financial Reporting by Employers for Post-employment Benefit Plans Other Than Pension Plans.

Since the School's employees are contracted through Education Associates, the requirements of Governmental Accounting Standards Board (GASB) Statement 43: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, Statement 45: Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and Statement 50: Pension Disclosures are not applicable.

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, premiums and discounts, as well as issuance costs, are capitalized and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reserves and Designations of Fund Balance/Restricted Net Assets

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Designations of fund balance are established to identify amounts set aside by the School Board for future expenditures.

The School has no reservations nor designations of fund balances at June 30, 2008.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

Foundation Revenue

The State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state sources. Revenues from state sources are primarily governed by Michigan's State School Aid Act (Public Act 94 of 1979, as amended) and the Revised School Code (Public Act 451 of 1976, as amended). The Michigan Department of Education administers the allocation of state funds to public schools based on information supplied by the schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. As a public school academy, the School is not eligible to receive any portion of local non-homestead property taxes. The state revenue is recognized during the foundation period (currently the fiscal year).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STATE OF MICHIGAN SCHOOL AID

The School reports State of Michigan school aid in the fiscal year in which the School is entitled to the revenue as provided by appropriations from the state legislature pursuant to the State School Aid Act. State funding provided 88% of general fund revenue to the School during the 2008 fiscal year.

3. CASH AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

| | Governmental Activities | Fiduciary Funds | Total |
|---------------------------|----------------------------|--------------------|-------------|
| Cash and cash equivalents | \$938,325 | \$66,846 | \$1,005,171 |

Statutory Authority

Michigan law authorizes the School to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Black River Public School's investment policy allows for all of these types of investments.

Deposits are in one (1) financial institution located in Michigan. State policy limits the School's investing options to financial institutions located in Michigan. All accounts are in the name of the School and a specific fund or common account. They are recorded in School records at fair value.

The School chooses to disclose its investments by specifically identifying each. As of year end, the School had the following investments.

| Investment | Maturity | Fair Value | Rating |
|--|-------------------|-------------|----------|
| Wells Fargo Advantage Government Money Market Fund #743 | Average of 0 days | \$1,102,564 | S&P AAAm |

Investment and Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School has not adopted and state law does not require a policy for deposit custodial credit risk. As of year end \$924,992 of the School's bank balance of \$1,024,992 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School has not adopted and state law does not require a policy for investment custodial credit risk. Of the above investments custodial credit risk cannot be determined because the investments are not in specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are held in one investment managed pursuant to a trust agreement.

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

| | Beginning Balance | Additions | Dispositions | Ending Balance |
|---|----------------------|-------------|--------------|-------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 452,430 | \$ - | \$ - | \$ 452,430 |
| Construction in progress | 126,653 | 4,929 | (126,653) | 4,929 |
| Total nondepreciable capital assets | 579,083 | 4,929 | (126,653) | 457,359 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 12,998,100 | 316,106 | - | 13,314,206 |
| Machinery and equipment | 313,894 | 10,081 | - | 323,975 |
| Vehicles | 75,500 | | | 75,500 |
| Total depreciable capital assets | 13,387,494 | 326,187 | | 13,713,681 |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | (1,857,463) | (346,061) | - | (2,203,524) |
| Machinery and equipment | (107,779) | (29,064) | - | (136,843) |
| Vehicles | (45,593) | (9,563) | | (55,156) |
| Total accumulated depreciation | (2,010,835) | (384,688) * | | (2,395,523) |
| Total capital assets being depreciated, net | 11,376,659 | (58,501) | | 11,318,158 |
| Government activities capital assets, net | \$11,955,742 | \$(53,572) | \$(126,653) | \$11,775,517 |

^{*}Depreciation expense was charged to governmental functions as follows:

| Instruction | \$283,627 |
|--|------------------|
| Supporting services | 73,163 |
| Food service | 7,462 |
| Athletics | 20,436 |
| | |
| Governmental activities depreciation expense | <u>\$384,688</u> |

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Transfers primarily reflect subsidies allocated from the General Fund. The transfer out of the capital projects was made to fund debt service expenditures.

| hate & the & | In | Out |
|--------------------------------|-------------|-------------|
| Interfund transfers | | |
| General fund | \$ - | \$ 788,778 |
| Debt service fund | 881,816 | - |
| Capital projects fund | 80,000 | 225,000 |
| Nonmajor governmental funds: | | |
| Athletics special revenue fund | 51,962_ | |
| Total | \$1,013,778 | \$1,013,778 |

6. OPERATING LEASES

The School leases two copiers through one lease agreement, which requires minimum monthly payments of \$993 through July 2008, two copiers through another lease agreement, which requires minimum monthly payments of \$254 through October 2008, and one copier through another lease agreement, which requires minimum monthly payments of \$139 through September 2011.

The School also leases a postage meter which requires quarterly payments of \$405, through December 2012.

Rental expense under all operating lease agreements was \$26,568 for the year ended June 30, 2008.

Future operating lease payments on leases having noncancelable lease terms beyond 2008 are as follows:

| Year | Amount |
|-------|------------|
| 2009 | \$ 5,297 |
| 2010 | 3,288 |
| 2011 | 3,288 |
| 2012 | 2,037 |
| 2013 | <u>810</u> |
| Total | \$14,720 |

7. LONG-TERM DEBT

The following is a summary of debt transactions of the School for the year ended June 30, 2008:

| | Long-term Debt | | | | | |
|---|--------------------------|---------|----|----------------------|--------------------------|----------------------|
| | Balance | | _ | | Balance | Due Within |
| | _July 1, 2007 | Additio | ns | _Deletions | June 30, 2008 | One Year |
| \$8,885,000 – 2006 Revenue and Refunding Bonds due in installments of \$215,000 to \$595,000 in the years 2008 through 2031 with interest at 5.15% to 5.80%. Refunding portion Project portion | \$5,945,000 2,415,000 | \$ | - | \$ 100,000 35,000 | \$5,845,000 2,380,000 | \$ 135,000 55,000 |
| Sinking fund portion | 450,000 | | - | 225,000 | 225,000 | 225,000 |
| Note payable to BASF Corporation for property, at 0% interest, requiring five equal annual installments of \$69,309 beginning on January 1, 2006. | 207,928 | | - | 69,310 | 138,618 | 69,309 |
| 2003 note payable to Chemical Bank, due July 21, 2008, for the purchase of a six-classroom modular building, requiring quarterly payments of \$20,015, including interest at 3.69% through July 2008. | 104,982 | | - | 83,524 | 21,458 | 21,458 |
| 2004 note payable to Chemical Bank, due July 21, 2009, for the purchase of an eight-classroom modular building, requiring quarterly payments of \$23,672, including interest at 3.59% through July 2009. | 203,769 | | - | 88,456_ | 115,313 | 91,732 |
| Total | \$9,326,679 | \$ | - | \$ 601,290 | \$8,725,389 | \$ 597,499 |

Following is a summary of future principal maturities and interest requirements. Principal payments for the Special Sinking Fund Bonds are based on estimates of donor promises-to-give scheduled to be collected in each fiscal year.

Sprice 2006 Ronde Payable

| | | | Series 2006 Borids Payable | | | | | | |
|-----------|-------------|-----------|----------------------------|-------------|---------------|-------------------------|-----------|----------------------------|--|
| | Installment | Purchases | Refundi | ng Bonds | Project Final | Project Financing Bonds | | Special Sinking Fund Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2009 | \$182,499 | \$ 3,162 | \$ 135,000 | \$ 321,978 | \$ 55,000 | \$ 131,186 | \$225,000 | \$10,219 | |
| 2010 | 92,890 | 215 | 140,000 | 315,136 | 55,000 | 128,450 | - | - | |
| 2011 | - | - | 150,000 | 307,849 | 60,000 | 125,560 | - | - | |
| 2012 | - | - | 155,000 | 300,089 | 60,000 | 122,508 | - | - | |
| 2013 | - | - | 165,000 | 291,869 | 65,000 | 119,296 | - | - | |
| 2014-2018 | - | - | 965,500 | 1,316,399 | 389,500 | 539,760 | - | - | |
| 2019-2023 | - | - | 1,274,500 | 1,010,749 | 520,500 | 413,364 | - | - | |
| 2024-2028 | - | - | 1,645,000 | 601,315 | 675,000 | 247,515 | - | - | |
| 2029-2031 | | | 1,215,000 | 107,735 | 500,000 | 44,370 | | | |
| Total | \$275,389 | \$3,377 | \$5,845,000 | \$4,573,119 | \$2,380,000 | \$1,872,009 | \$225,000 | \$10,219 | |

Prior Year Defeasance

During fiscal year 2007, the School advance refunded certain certificates of participation by purchasing U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$5,440,000 of defeased debt. As a result, the certificates are considered defeased and the liability has been removed from the statement of net assets.

8. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for all the above mentioned types of risks of loss including general liability, property damage, workers' compensation, and medical benefits provided to employees. Settled claims have not exceeded the commercial coverage in any of the three prior years.

9. CONTINGENCIES

Federal Grant Programs

The School participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School expects such amounts, if any, not to be material.

10. CHARTER AGENCY OVERSIGHT FEES

Pursuant to the charter contract between Grand Valley State University (the "Authorizer") and the School, the School pays the Authorizer an administrative oversight fee equal to 3% of the state school aid received by the School.

11. CONSTRUCTION COMMITMENTS

At June 30, 2008, the School had outstanding commitments in the amount of approximately \$70,000 for construction contracts.

* * * *

SUPPLEMENTARY INFORMATION

Detailed Schedule of Revenue, Expenditures and Changes in Fund Balances Budget and Actual General Fund

For the Year Ended June 30, 2008

| | | | | Variance with Final Budget |
|--------------------------------------|------------------|------------------|-----------------------|----------------------------|
| | | Amounts | Actual | Positive |
| | <u>Original</u> | Final | Amounts | (Negative) |
| REVENUE | * 500.000 | * 055 000 | £ 000.504 | e (00.400) |
| Local sources | \$ 563,000 | \$ 655,000 | \$ 632,504 | \$ (22,496) |
| Intermediate sources | 30,000 | 31,000 | 31,339 | 339 |
| State sources | 5,696,000 | 5,763,804 | 5,766,106 | 2,302 |
| Federal sources | 164,000 | 150,463 | 147,388 | (3,075) |
| Total revenue | 6,453,000 | 6,600,267 | 6,577,337 | (22,930) |
| EXPENDITURES | | | | |
| Instruction: | | | | |
| Elementary | 812,000 | 811,000 | 777,547 | 33,453 |
| Middle School | 829,000 | 872,000 | 836,708 | 35,292 |
| High School | 1,170,000 | 1,229,000 | 1,185,6 44 | 43,356 |
| Special education | 353,000 | 410,000 | 403,477 | 6,523 |
| Title I compensatory education | 126,000 | 138,000 | 136,005 | 1,995 |
| Total instruction | 3,290,000 | 3,460,000 | 3,339,381 | 120,619 |
| Supporting services: | | | | |
| Pupil services | 282,000 | 277,000 | 248,320 | 28,680 |
| Instructional staff | 117,000 | 91,000 | 80,962 | 10,038 |
| Charter agency oversight | 168,000 | 170,000 | 167,272 | 2,728 |
| General administration | 193,000 | 225,000 | 212,363 | 12,637 |
| School administration | 260,000 | 264,000 | 243,371 | 20,629 |
| Support services business | 248,000 | 238,000 | 219,902 | 18,098 |
| Operation and maintenance | 443,000 | 468,000 | 434,479 | 33,521 |
| Pupil transportation services | 36,000 | 41,000 | 37,804 | 3,196 |
| Technology | 104,000 | 75,000 | 68,909 | 6,091 |
| Total supporting services | 1,851,000 | 1,849,000 | 1,713,382 | 135,618 |
| Capital outlay | 50,000 | 26,647 | 25,759 | 888 |
| Debt service: | | | | |
| Principal | 241,500 | 241,500 | 241,290 | 210 |
| Interest | 9,100 | 9,100 | 9,016 | 84 |
| Total debt service | 250,600 | 250,600 | 250,306 | 294 |
| Total expenditures | 5,441,600 | 5,586,247 | 5,328,828 | 257,419 |
| Revenue over expenditures | 1,011,400 | 1,014,020 | 1,248,509 | 234,489 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out to: | | | | |
| Athletics | (48,000) | (58,000) | (51,962) | 6,038 |
| Yearbook | (1,000) | - | - | - |
| Debt service | (677,750) | (656,816) | (656,816) | • |
| Capital projects | (80,000) | (80,000) | (80,000) | |
| Total other financing sources (uses) | (806,750) | (794,816) | (788,778) | 6,038 |
| Net changes in fund balances | 204,650 | 219,204 | 459,731 | 240,527 |
| Fund balances, beginning of year | 899,664 | 899,664 | 899,664 | |
| Fund balances, end of year | \$ 1,104,314 | \$ 1,118,868 | \$ 1,359,395 | \$ 240,527 |
| | -39- | | | |

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

| | s | pecial Revenue | |
|--|--------------|----------------------------|-----------|
| | Food | | |
| | Service | Athletics Yearbook | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 13,275 | \$ 16,665 \$ 3,078 | \$ 33,018 |
| Accounts receivable | 376 | | 376 |
| Total assets | \$ 13,651 | \$ 16,665 \$ 3,078 | \$ 33,394 |
| | | | |
| LIABILITIES AND FUND BALANCES Liabilities: | | | |
| Deferred revenue | \$ 4,082 | \$ 5,850 \$ - | \$ 9,932 |
| Fund balances: | | | |
| Unreserved, undesignated | <u>9,569</u> | <u>10,815</u> <u>3,078</u> | 23,462 |
| Total liabilities and fund balances | \$ 13,651 | \$ 16,665 \$ 3,078 | \$ 33,394 |

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2008

| | Sp | ecial Reven | ue | |
|-----------------------------------|-----------|-------------|----------|-----------|
| | Food | | | |
| | Service | Athletics | Yearbook | Total |
| REVENUE | | | | |
| Local sources | \$ 79,848 | \$ 22,804 | \$ 9,708 | \$112,360 |
| State sources | 1,011 | - | - | 1,011 |
| Federal sources | 42,259 | - | - | 42,259 |
| Total revenue | 123,118 | 22,804 | 9,708 | 155,630 |
| EXPENDITURES | | | | |
| Supporting services: | | | | |
| Food service | 111,134 | - | _ | 111,134 |
| Athletics | - | 55,345 | - | 55,345 |
| Yearbook | - | - | 8,287 | 8,287 |
| Community services: | | | | |
| Community recreation | - | 12,642 | - | 12,642 |
| Capital outlay | 16,511 | | - | 16,511 |
| Total expenditures | 127,645 | 67,987 | 8,287 | 203,919 |
| Revenue over (under) expenditures | (4,527) | (45,183) | 1,421 | (48,289) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | | 51,962 | | 51,962 |
| Net changes in fund balances | (4,527) | 6,779 | 1,421 | 3,673 |
| Fund balances, beginning of year | 14,096 | 4,036 | 1,657 | 19,789 |
| Fund balances, end of year | \$ 9,569 | \$ 10,815 | \$ 3,078 | \$ 23,462 |

Black River Public School Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Food Service Fund For the Year Ended June 30, 2008

| | | Budgeted | i Am | ounts | | Actual | Fina | ance with al Budget ositive |
|----------------------------------|----|----------|------|---------|----|---------|------|-----------------------------------|
| | _ | Original | | Final | _A | mounts | _(N | egative) |
| REVENUE | | | | | | | | |
| Local sources | \$ | 36,500 | \$ | 79,070 | \$ | 79,848 | \$ | 778 |
| State sources | | 1,000 | | 1,000 | | 1,011 | | 11 |
| Federal sources | | 28,000 | | 41,930 | | 42,259 | | 329 |
| Total revenue | | 65,500 | | 122,000 | | 123,118 | | 1,118 |
| EXPENDITURES | | | | | | | | |
| Supporting services | | 65,500 | | 114,400 | | 111,134 | | 3,266 |
| Capital outlay | | | | 16,600 | | 16,511 | | 89 |
| Total expenditures | | 65,500 | | 131,000 | | 127,645 | | 3,355 |
| Net changes in fund balances | | _ | | (9,000) | | (4,527) | | (2,237) |
| Fund balances, beginning of year | | 14,096 | | 14,096 | | 14,096 | | _ |
| Fund balances, end of year | \$ | 14,096 | \$ | 5,096 | \$ | 9,569 | \$ | 4,473 |

Black River Public School Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

Athletics Fund For the Year Ended June 30, 2008

| | Budgeted | d Amounts | Actual | Variance with Final Budget Positive |
|----------------------------------|-----------------|------------------|-----------|---|
| | <u>Original</u> | Final | Amounts | (Negative) |
| REVENUE | | | | |
| Community recreation | \$ 6,700 | \$ 11,330 | \$ 11,735 | \$ 405 |
| Other local sources | 5,300 | 11,046 | 11,069 | 23 |
| Total revenue | 12,000 | 22,376 | 22,804 | 428 |
| EXPENDITURES | | | | |
| Athletics activities | 55,000 | 60,000 | 55,345 | 4,655 |
| Community recreation | 6,700 | 13,293 | 12,642 | 651 |
| Total expenditures | 61,700 | 73,293 | 67,987 | 5,306 |
| Revenue (under) expenditures | (49,700) | (50,917) | (45,183) | 5,734 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 48,000 | 58,000 | 51,962 | (6,038) |
| Net changes in fund balances | (1,700) | 7,083 | 6,779 | (304) |
| Fund balances, beginning of year | 4,036 | 4,036 | 4,036 | |
| Fund balances, end of year | \$ 2,336 | <u>\$ 11,119</u> | \$ 10,815 | \$ (304) |

Black River Public School Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Yearbook Fund For the Year Ended June 30, 2008

| | Budgeted | Amounts | Actual | Variance with Final Budget Positive |
|--------------------------------------|----------|----------|----------|---|
| | Original | Final | Amounts | (Negative) |
| REVENUE Local sources | \$ 9,500 | \$ 9,300 | \$ 9,708 | \$ 408 |
| EXPENDITURES Supporting services | 10,400 | 9,000 | 8,287_ | 713 |
| Revenue over (under) expenditures | (900) | 300 | 1,421 | 1,121 |
| OTHER FINANCING SOURCES Transfers in | 1,000 | | | |
| Net changes in fund balances | 100 | 300 | 1,421 | 1,121 |
| Fund balances, beginning of year | 1,657 | 1,657 | 1,657 | |
| Fund balances, end of year | \$ 1,757 | \$ 1,957 | \$ 3,078 | \$ 1,121 |

Statement of Changes in Assets and Liabilities Agency Fund For the Year Ended June 30, 2008

| | | eginning Balance | _A | dditions | _D | eletions | | inding Salance |
|------------------------------------|-----------|---------------------|--------------|----------|----|----------|-----------|-------------------|
| ASSETS | _ | 40.550 | _ | 400 570 | _ | 404.000 | _ | 00.040 |
| Cash and cash equivalents | <u>\$</u> | 48,559 | _ | 199,573 | | 181,286 | <u>\$</u> | 66,846 |
| LIABILITIES | | | | | | | | |
| G.W. Haworth Memorial Fund | \$ | 25,000 | \$ | 842 | \$ | - | \$ | 25,842 |
| Guarr Memorial Fund | | - | | 6,622 | | - | | 6,622 |
| Due to BRPS parent organization | | 14,509 | | 41,707 | | 39,998 | | 16,218 |
| Faculty/staff appreciation account | | 1,421 | | 185 | | 1,606 | | - |
| Due to student and other groups | | 7,629 | | 150,211 | | 139,676 | | 18,164 |
| Total liabilities | \$ | 48,559 | \$ | 199,567 | \$ | 181,280 | \$ | 66,846 |

STATISTICAL SECTION

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(accrual basis of accounting) **Black River Public School** Net Assets by Component Last Six Fiscal Years

| | | | | | | Fiscal Year | Year | | | | |
|--|----|----------------|-----|-----------|----|-------------|------|-----------|---|-----------|--------------|
| | | <u>2002-03</u> | | 2003-04 | | 2004-05 | | 2005-06 | | 2006-07 | 2007-08 |
| Governmental activities | • | 1 | • | | • | | • | | • | | |
| Invested in capital assets net of related debt | ₩. | 2,516,939 | ss. | 2,561,899 | ₩ | 2,691,677 | ₩ | 2,964,181 | ₩ | 2,629,063 | \$ 3,050,128 |
| Restricted | | 706,589 | | 598,587 | | 918,446 | | 1,484,393 | | 2,235,212 | 1,930,303 |
| Unrestricted | | 107,798 | | 112,368 | | 377,928 | | 573,910 | | 922,546 | 1,391,952 |
| Total governmental activities net assets | ь | \$ 3,331,326 | မှ | 3,272,854 | မာ | 3,988,051 | မှ | 5,022,484 | ઝ | 5,786,821 | \$ 6,372,383 |

Note: The school implemented GASB Statement 34 beginning in 2004. Information for 2003 was presented as unaudited prior year information in 2004.

(accrual basis of accounting) **Black River Public School Changes in Net Assets** Last Six Fiscal Years

| | | | | | | Fiscal Year | Year | | | | | |
|--|----|-------------|--------------|-----------------------|---------------|-------------|----------|-------------|---------------|-------------|--------------|----------------|
| | | 2002-03 | | 2003-04 | | 2004-05 | | 2005-06 | | 2006-07 | <u> `</u> " | 2007-08 |
| Expenses Governmental activities: | | | | | | | | | | | | |
| Instruction | ₩ | 1,631,656 | ↔ | 2,015,396 | €9 | 2,340,948 | ↔ | 2,641,026 | 69 | 3,061,160 | ↔ | 3,623,008 |
| Support services | | 1,069,993 | | 1,236,808 | | 1,446,205 | | 1,548,459 | | 1,692,257 | | 1,832,362 |
| Food services | | 39,098 | | 48,332 | | 58,208 | | 029'99 | | 62,457 | | 131,570 |
| Athletics activities | | 60,171 | | 68,227 | | 56,448 | | 55,407 | | 65,652 | | 62,807 |
| Yearbook fund | | 4,247 | | 8,698 | | 8,349 | | 9,054 | | 11,669 | | 8,287 |
| Community recreation | | ' 00 | | - 60 | | , 00, | | - 000 | | | | 12,642 |
| Interest Tatal governmental activities economics | 6 | 400,300 | ų | 4 13,065 2 700 546 | ų | 420,165 | 6 | 410,039 | 6 | 5 306 351 | 6 | 517,445 |
| i otal governinental activities expenses | 9 | 0,20,112,0 | ÷ | 0+0,061,0 | → | 1,000,1 | → | 4,7 30,000 | ÷ | 100,000,0 | → | 0,100,121 |
| Program Revenues Governmental activities: | | | | | | | | | | | | |
| Food Services | €9 | 9,312 | ↔ | 12,991 | ↔ | 23,123 | ↔ | 32,579 | 69 | 36,803 | s | 79,154 |
| Athletics | | 3,175 | | 2,592 | | 3,744 | | 2,889 | | 3,788 | | 7,520 |
| Yearbook | | 3,970 | | 7,241 | | 8,085 | | 8,135 | | 8,865 | | 11,735 |
| Community recreation | | - 240,046 | | - 004 | | - 223 207 | | - 079 073 | | - | | 009'6 |
| Operating grants and contributions | | 319,040 | | 391,003 | | 700,027 | | 342,040 | | 141,123 | | 000,000 |
| Total governmental activities program revenues | es | 335,502 | ₩ | 413,887 | vs | 761,514 | es | 586,243 | ₩ | 797,179 | ₩ | 976,889 |
| Net (Expense) | , | | | | , | | • | | | | , | |
| Governmental activities | ₩ | (2,876,023) | es l | (3,376,659) | ₩ | (3,568,807) | ₩ | (4,144,412) | ₩ | (4,599,172) | ₩ | \$ (5,211,232) |
| General Revenues and Other Changes in Net Assets Governmental activities | | | | | | | | | | | | |
| Private source contributions | ↔ | 138,704 | 49 | 154,125 | 69 | 396,811 | ↔ | 708,309 | ↔ | 218,148 | ↔ | 111,061 |
| State of Michigan school aid, unrestricted | | 2,581,228 | | 3,119,838 | | 3,841,051 | | 4,388,315 | | 4,966,417 | | 5,575,732 |
| Miscellaneous | | 27,606 | | 40,666 | | 33,888 | | 45,931 | | 60,325 | | 52,280 |
| Investment earnings | | 9,150 | ا | 4,028 | | 12,254 | | 36,290 | | 118,619 | | 57,721 |
| Total governmental activities | ↔ | 2,756,688 | v | 3,318,657 | ઝ | 4,284,004 | ક્ક | 5,178,845 | ↔ | 5,363,509 | ↔ | 5,796,794 |
| Changes in Net Assets Governmental activities | ↔ | (119,335) | ↔ | (58,002) | ↔ | 715,197 | ↔ | 1,034,433 | €9 | 764,337 | ↔ | 585,562 |
| | | | II | | | | | | | | | |

Note: The school implemented GASB Statement 34 beginning in 2004. Information for 2003 was presented as unaudited prior year information in 2004.

Black River Public School Fund Balances, Governmental Funds Last Ten Fiscal Years (modified accrual basis of accounting)

| | | | | | | | | | Fisca | Fiscal Year | | | | | | | | |
|---|-----|------------------|---|--------------------------------|---|-----|---------------------------------------|---|---------------------------------------|--------------|---------------------------------------|----------|---|--------------|---|---|----------------------------------|---|
| | - | 1998-99 | 1999-2000 | oı | 2000-01 | N N | 2001-02 | N | 002-03 | Z | 003-04 | ÑΙ | 004-05 | ۸I | 005-06 | 2006-07 | 7 | 2007-08 |
| General fund, unreserved | ↔ | 58,001 | \$ 58,001 \$ 327,220 | \$ ∥ | 84,831 | œ | 106,556 | છ | 82,798 | ₩ | 92,812 | ↔ | 381,505 | ∽ | 585,792 | \$ 899,664 | 364 \$ | 1,359,395 |
| All Other Governmental Funds Unreserved, reported in: Debt service Capital projects fund Special revenue funds Total all other governmental funds | ₩ ₩ | 32,083 32,083 | \$ - \$ 1,711,323 32,083 87,809 - 337 \$ 32,083 \$ 1,799,469 | 323 \$ 809 337 469 \$ | \$ 900,480 168,358 5,306 1,074,144 | ↔ ↔ | 882,222 48,105 6,368 936,695 | ↔ | 825,633 50,744 6,312 882,689 | ω | 745,044 18,550 5,617 769,211 | ↔ ↔ | 674,725 185,999 12,146 872,870 | & & | 678,191 451,684 7,275 ,137,150 | \$ 1,033,410 378,497 19,789 \$ 1,431,696 | 33,410 \$ 78,497 19,789 \$ | 1,102,564 153,879 23,462 1,279,905 |

Changes in Fund Balances, Governmental Funds (modified accrual basis of accounting) **Black River Public School** Last Ten Fiscal Years

| | | | | | Fiscal Year | Year | | | | |
|---|------------|--------------|--------------|--------------|-------------|--------------|------------|------------|-------------|-------------|
| • | 1998-99 | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| Revenues | | | | | | | | | | |
| Local sources | \$ 222,881 | \$ 297,858 | \$ 234,751 | \$ 309,258 | \$ 319,339 | \$ 412,853 | \$ 658,438 | \$ 750,556 | \$ 935,190 | \$ 917,146 |
| Intermediate sources | • | • | 25,866 | 16,934 | 7,720 | 26,400 | 33,420 | 25,480 | 27,800 | 31,339 |
| State sources | 1,785,812 | 1,849,596 | 1,854,224 | 1,988,807 | 2,666,493 | 3,212,759 | 3,975,781 | 4,514,778 | 5,149,727 | 5,767,117 |
| Federal sources | 37,880 | 64,455 | 15,140 | 32,003 | 74,655 | 85,281 | 169,472 | 181,421 | 195,694 | 189,647 |
| Total revenues | 2,046,573 | 2,211,909 | 2,129,981 | 2,347,002 | 3,068,207 | 3,737,293 | 4,837,111 | 5,472,235 | 6,308,411 | 6,905,249 |
| Expenditures | | | | | | | | | | |
| Instruction | 991,200 | 1,003,838 | 1,152,101 | 1,099,381 | 1,437,785 | 1,806,550 | 2,114,147 | 2,411,346 | 2,813,233 | 3,339,381 |
| Supporting services | 716,528 | 939,731 | 1,109,985 | 969,274 | 1,259,162 | 1,295,465 | 1,512,824 | 1,617,056 | 1,781,794 | 1,888,148 |
| Community services | • | , | • | • | • | • | • | • | • | 12,642 |
| Capital outlay | 153,694 | 3,780,112 | 456,334 | (11,482) | 33,750 | 576,240 | 604,725 | 230,073 | 3,059,186 | 257,187 |
| Debt service: | | | | a | | | | | | |
| Principal Principal | • | • | , | • | 75,000 | 105,727 | 177,490 | 331,211 | 347,091 | 601,290 |
| Interest | 9,023 | 4,869 | 405,553 | 405,553 | 405,553 | 413,115 | 420,573 | 413,982 | 318,569 | 498,661 |
| Bond issuance costs | ı | 246,400 | • | • | ' | • | • | • | 309,412 | • |
| Total expenditures | 1,870,445 | 5,974,950 | 3,123,973 | 2,462,726 | 3,211,250 | 4,197,097 | 4,829,759 | 5,003,668 | 8,629,285 | 6,597,309 |
| Excess of revenues over | | | | | | | | | | |
| (under) expenditures | 176,128 | (3,763,041) | (993,992) | (115,724) | (143,043) | (459,804) | 7,352 | 468,567 | (2,320,874) | 307,940 |
| Other financing sources (uses) | | | | | | | | | | |
| Proceeds from borrowing | • | 5,711,546 | • | • | • | 356,340 | 385,000 | • | 2,933,090 | ٠ |
| Proceeds from refunding | ' | • | • | 1 | 1 | • | • | • | 5,951,933 | • |
| Payments to escrow agent | • | • | • | • | • | • | • | • | (5,955,731) | • |
| Proceeds from capital leases | , | ' | • | • | 60,312 | • | ' | • | 1 | • |
| Proceeds from sale of property | • | 90,100 | • | • | • | • | • | • | • | • |
| Transfers in | 1 | 1,178,842 | 65,814 | 531,989 | 696,277 | 556,537 | 641,492 | 598,185 | 1,048,207 | 1,013,778 |
| Transfers out | (1,549) | (1,180,842) | (67,314) | (531,989) | (691,310) | (556,537) | (641,492) | (598,185) | (1,048,207) | (1,013,778) |
| Other financing sources | 500,000 | | 27,778 | • | ' | ' | ' | ' | ' | ' |
| Total other financing sources (uses) | 498,451 | 5,799,646 | 26,278 | ' | 65,279 | 356,340 | 385,000 | | 2,929,292 | ı |
| Net change in fund balances | \$ 674,579 | \$ 2,036,605 | \$ (967,714) | \$ (115,724) | \$ (77,764) | \$ (103,464) | \$ 392,352 | \$ 468,567 | \$ 608,418 | \$ 307,940 |
| Debt service as a percentage of noncapital expenditures | 0.5% | | 15.2% | 16.4% | 15.1% | 14.3% | 14.2% | 15.6% | 17.5% | 17.3% |
| | | | | | | | | | | |

PY 1999 other financing sources amount of \$500,000 represents cost of land purchased in FY 1998 recharacterized in FY 1999 to land held for sale, a short-term investment.

b Negative capital outlay in FY 2002 resulted from construction contracts payable estimates at prior year end being paid off at a lesser total amount than the total accrued. Source: Business Office, Black River Public School

Black River Public School Ratio of Outstanding Debt per Student ^a Last Eight Fiscal Years

| | Debt | Per | Student |
|--------------------|---------------------|---------------------|---------------------------------|
| | | Student | Enrollment ^c Student |
| | Total | Primary | Government ^b E |
| | General | Obligation | Note |
| ities | Installment | Purchase | Contracts |
| rnmental Activitie | Vehicle | Capital | Leases |
| Gove | Certificates | ₽ | Participation |
| | Bonds Issued | Fiscal thru Conduit | Authority |
| | | Fiscal | Year |

| Authority Participation Leases Contracts N | Participation Leases Contracts | Leases Contracts | Contracts | | 2 | Note | | Governmer | Government ^b Enrollment ^c | Student ^d |
|--|--------------------------------|------------------------|-----------|-----------|---|---------|-----|-----------|---|----------------------|
| \$ - \$ - \$ 000'022'5 \$ - \$ | \$ - \$ - \$ 000'02'2' \$ | \$ - \$ - \$ 000'022'5 | & & | <i>\$</i> | ↔ | | 1 | 5,770,000 | 0 292 | \$ 19,760 |
| - 5,770,000 - | 5,770,000 - | 5,770,000 | | • | | | | 5,770,00 | | 19,693 |
| | | | 60,312 - | | | | | 5,755,312 | 2 417 | 13,802 |
| | 52,837 | 52,837 | | 338,087 | | 346,546 | 546 | 6,352,47 | | 12,991 |
| 45,026 | 45,026 | 45,026 | | 638,408 | | 346,5 | 546 | 6,529,98 | | 11,214 |
| - 5,440,000 36,864 474,669 | 36,864 | 36,864 | • | 474,669 | | 277,237 | 237 | 6,228,770 | | 9,423 |
| 8,810,000 308,751 | 308,751 | 308,751 | - 308,751 | 308,751 | | 207,928 | 328 | 9,326,679 | | 13,136 |
| 8,450,000 136,771 | 136,771 | 136,771 | - 136,771 | 136,771 | | 138,618 | 318 | 8,725,389 | 9 780 | 11,186 |

Notes:

school - Black River does not have a relevant jurisdiction from which to measure a population's personal income or calculate value of taxable personal income" is not presented, nor is there presented a ratio of "outstanding debt to value of taxable property" because - as a charter value of taxable property, so a statistic for "Total outstanding debt as a percentage of another relevant economic base" as contemplated property. The operation of a Michigan charter school does not involve any relevant economic base to substitute for personal income or a Details regarding the school's outstanding debt can be found in the notes to the financial statements. A ratio of "outstanding debt to by GASB 44 ("Economic Condition Reporting: The Statistical Section") is not available.

a tax base. For a traditional public school district, information regarding the debt of other governmental entities whose tax base overlaps b There is no information to report regarding direct and overlapping debt contemplated by GASB 44 because the school does not have with its own would be presented.

Student enrollment based on fall membership count. See Schedule D-1 for additional student enrollment data.

d A "per capita ratio of total outstanding debt" is not an appropriate base to evaluate the school's debt, however, pursuant to GASB 44, the ratio of "debt per student" has been chosen as a more relevant alternative.

Black River Public School Pledged-Revenue Coverage Last Six Fiscal Years

| | | Coverage |
|------------|---------|--------------------|
| | ervice | Interest |
| | Debt S | Principal Interest |
| 20 percent | Pledged | Revenues |
| State | School | Aid |
| | Fiscal | Year |

| | 1.11 | 1.34 | 1.65 | 1.88 | | 2.78 | 1.36 |
|---|--------------|-----------|-----------|-----------|------------------------------|-----------|-----------|
| | 405,553 | 400,978 | 396,018 | 390,662 | | 295,836 | 489,645 |
| | ↔ | _ | _ | _ | 2006: | _ | _ |
| :000 | 75,000 | 80,000 | 85,000 | 90,000 | Series 2006: | 75,000 | 360,000 |
| ies 2(| ↔ | | | | ond, | | |
| oation, Ser | 533,299 | 642,552 | 795,156 | 902,956 | Refunding Bond, | 1,029,945 | 1,153,423 |
| articip | ₩ | | | | | ` | ` |
| -ull Term Certificates of Participation, Series 2000: | \$ 2,666,493 | 3,212,759 | 3,975,781 | 4,514,778 | School Building and Site and | 5,149,727 | 5,767,117 |
| Full Term Co | 2003 | 2004 | 2005 | 2006 | School Build | 2007 | 2008 |

Note 1: Details regarding the school's outstanding debt can be found in the notes to finanical statements. Interest-only debt service payments of \$405,553 per year were made from a capitalized interest debt service reserve account in fiscal years 2001 and 2002.

charter schools, which do not have taxing authority and therefore the legal debt margin limitation as contemplated by GASB 44 ("Economic Condition Reporting: The Statistical Section") is not for an amount greater than 15% of its total assessed valuation. The school is one of Michigan's Public Act 451 of 1976 provides that a traditional public school district shall not issue bonds Note 2: The school does not have a legal debt margin to report. Section 1351 of Michigan applicable.

Holland / West Ottawa Area Student Enrollment
Traditional Public Schools, Private Schools, and Charter Schools
Last Ten Academic Years

| | | | | | | | | | ¥ | cademi | Academic Year | | | | | | | | | |
|-----------------------|----------------|--------|----------------|----------------|----------------|---------------|----------------|--------|------------------|--------|----------------------|----------|----------------|-------|----------------|--------|------------------------|---------------------|----------------|--------|
| • | 1998-99 | 66 | 1999-2000 | 3000 | 2000-01 | -01 | 2001-02 | -02 | 2002-03 | -03 | 2003-04 | 40 | 2004-05 | 405 | 2005-06 | 90- | 2006-07 | -07 | 2007-08 | 98 |
| . 1 | Count | % Chg | Count | % Chg | Count | % Chg | Count | % Chg | Count | % Chg | Count | % Chg | Count | % Chg | Count | % Chg | Count | % Chg | Count | % Chg |
| Holland Public | 5,619 33.3% | -1.0 % | 5,500 32.0% | -2.1 % | 5,513 31.4% | 0.2 % | 5,470 30.6% | -0.8 % | 5,380 | -1.6 % | 5,238 29.2% | -2.6 % | 5,014 28.1% | 4.3 % | 4,855 27.6% | -3.2 % | 4 ,621 26.6% | 4 8. % | 4,375 25.9% | -5.3 % |
| West Ottawa Public | 7,095 42.1% | 4.0 | 7,312 42.6% | 3.1 | 7,545 | 3.2 | 7,760 43.4% | 2.8 | 7,896 | 1.8 | 7,997 44.6% | 1.3 | 8,157 45.7% | 2.0 | 8,108 46.0% | 9.0- | 8,012 46.2% | -1.2 | 7,796 46.1% | -2.7 |
| Holland Christian | 2,577 | -2.3 | 2,589 | 0.5 | 2,638 | 6:1 | 2,701 15.1% | 2.4 | 2,646 14.8% | -2.0 | 2,512 14.0% | -5.1 | 2,372 | -5.6 | 2,277 12.9% | 4.0 | 2,173 12.5% | 4.6 | 2,085 | 4.0 |
| Other Private Schools | 639 3.8% | -1.8 | 670 3.9% | 4 .9 | 702 | 4.8 | 694 3.9% | 7. | 642 3.6% | -7.5 | 657 3.7% | 2.3 | 616 3.5% | -6.2 | 624 3.5% | £. | 615 3.5% | 4.1- | 614 3.6% | -0.2 |
| Eagle Crest Charter | 287 | 11 | 420 | 46.3 | 500 | 19.0 | 3.1% | 10.2 | 545 3.0% | ÷ | 596 3.3% | 9. 4. | 638 3.6% | 7.0 | 648 3.7% | 1.6 | 665 3.8% | 5.6 | 666 3.9% | 0.2 |
| Vanderbilt Charter | 350 2.1% | 28.7 | 378 2.2% | 8.0 | 362 2.1% | 4 5 | 400 | 10.5 | 399 | -0.3 | 442 2.5% | 10.8 | 461 2.6% | £.3 | 435 2.5% | -5.6 | 448 2.6% | 3.0 | 433 | -3.3 |
| Wavecrest Charter | ı | | | | , | | ı | | ı | | ı | | ı | | ı | | 112 0.6% | | 154 0.9% | 37.5 |
| Black River | 305 1.8% | 13.4 | 303 1.8% | -0.7 | 292 1.7% | 9.6 | 293 1.6% | 0.3 | 417 | 42.3 | 489 2.7% | 17.3 | 585 33% | 19.6 | 661 3.8% | 13.0 | 710 | 7.4 | 780 4.6% | 6.6 |
| Total Area 16,872 | 16,872 | 2.5 | 17,172 | 6 . | 17,552 | 2.2 | 17,869 | 8. | 17,925 100.0% | 0.3 | 17,931 100.0% | 0.0 | 17,843 | -0.5 | 17,608 | 1.3 | 17,356 100.0% | <u>4</u> . | 16,903 | -2.6 |

SOURCE: Ottawa Area Intermediate School District

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Black River Public School Enrollment History by Student's Resident District Last Seven Academic Years

| Student's | | | | | | • | Academic Year | lic Year | | | | | | |
|-----------------|--------------|----------------------|--------------|--------|--------------|---------|---------------|----------|--------------|--------|--------------|-------|--------------|---------|
| Resident | 200 | 2001-02 | 2002-03 | 2-03 | 200 | 2003-04 | 2004-05 | 1-05 | 2005-06 | 2-06 | 2006-07 | 70- | 2007-08 | 89 |
| District | Count | Count % Chg | Count % Chg | : : | Count % Chg | % Chg | Count % Chg | : : | Count % Chg | % Chg | Count % Chg | % Chg | Count | % Chg |
| Holland | 140 47.8% | 140 -10.8 % 17.8% | 212 50.7% | 51.4 % | 238 48.7% | 12.3 % | 270 46.2% | 13.4 % | 310 46.9% | 14.8 % | 316 44.5% | 1.9 % | 329 42.2% | 4.1 % |
| West Ottawa | 93 31.7% | -3.1 | 127 30.4% | 36.6 | 149 30.5% | 17.3 | 194 33.2% | 30.2 | 222 33.6% | 14.4 | 255 35.9% | 14.9 | 288 36.9% | 12.9 |
| Zeeland | 18 6.1% | 12.5 | 24 5.7% | 33.3 | 32 6.5% | 33.3 | 36 6.2% | 12.5 | 43 6.5% | 19.4 | 44 6.2% | 2.3 | 58 7.4% | 31.8 |
| Fennville | 15 5.1% | 50.0 | 18 | 20.0 | 40 8.2% | 122.2 | 43 | 7.5 | 36 5.4% | -16.3 | 33 4.6% | -8.3 | 31 | φ. 1 |
| Saugatuck | 12 4.1% | 12 300.0 .1% | 15 3.6% | 25.0 | 13 2.7% | -13.3 | 18 3.1% | 38.5 | 18 2.7% | 0.0 | 24 3.4% | 33.3 | 24 3.1% | 0.0 |
| Other districts | 15 5.1% | 90.0 | 22 5.3% | 46.7 | 17 3.5% | -22.7 | 24 | 41.2 | 32 4.8% | 33.3 | 38 5.4% | 18.8 | 50 6.4% | 31.6 |
| Total | 293 | 0.3 | 418 | 42.7 | 489 | 17.0 | 585 100% | 19.6 | 100% | 13.0 | 710 | 7.4 | 780 | 6.6 |

Note: Information not available prior to 2001-02. Enrollment based on fall membership count.

| Schedule D-1 | | | | |
|--------------|---------------------------|--|-----------------------|--|
| | Black River Public School | Student Enrollment as of Fall Membership Count | Last Ten Fiscal Years | |

| | | | | | Fiscal Year | Year | | | | |
|--------------|----------|-------|-------|-------|-------------|-------|-------|-------|-------|-------|
| Grade | 66-86 | 00-66 | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 02-06 | 06-07 | 07-08 |
| Elementary | > | | | | | | | | | |
| ¥ | ı | • | ٠ | • | ٠ | • | ١ | ı | • | 43 |
| _ | ı | ٠ | • | 1 | • | ٠ | 32 | 47 | 37 | 39 |
| 2 | • | , | • | • | • | • | 32 | 43 | 20 | 39 |
| က | ' | • | ٠ | • | ٠ | ı | 19 | 37 | 40 | 47 |
| 4 | • | • | ' | 7 | 34 | 38 | 44 | 37 | 46 | 4 |
| 5 | 1 | ' | • | 6 | 56 | 43 | 40 | 49 | 38 | 44 |
| | ' | | • | 20 | 9 | 81 | 167 | 213 | 211 | 252 |
| Middle schoo | loor | | | | | | | | | |
| 9 | 25 | 31 | 23 | 32 | 26 | 26 | 65 | 72 | 81 | 83 |
| 7 | 22 | 24 | 38 | 37 | 61 | 09 | 99 | 65 | 81 | 84 |
| 80 | 85 | 54 | 33 | 41 | 29 | 77 | 54 | 64 | 99 | 98 |
| | 167 | 109 | 94 | 113 | 176 | 193 | 185 | 201 | 228 | 253 |
| High schoo | <u>0</u> | | | | | | | | | |
| 6 | 29 | 75 | 28 | 4 | 28 | 80 | 75 | 64 | 78 | 8 |
| 10 | 44 | 51 | 61 | 54 | 46 | 47 | 77 | 73 | 63 | 75 |
| 1 | 35 | 43 | 43 | 40 | 45 | 42 | 46 | 20 | 20 | 24 |
| 12 | • | 25 | 36 | 25 | 32 | 46 | 35 | 40 | 09 | 65 |
| | 138 | 194 | 198 | 160 | 181 | 215 | 233 | 247 | 271 | 275 |
| Total | 305 | 303 | 292 | 293 | 417 | 489 | 585 | 661 | 710 | 780 |

Note: Enrollment based on fall membership count.

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Black River Public School Operating Information Full-time Equivalent School Staff by Function/Program Last Eight Fiscal Years

| | | | ı | Fiscal Year | 169 | | | |
|-------------------------------|---------|---------|---------|-------------|---------|---------|---------|---------|
| Function / Program | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| Instruction Rasic programs | | | | | | | | |
| Elementary school | , | 1.00 | 3.40 | 4.50 | 8.50 | 10.95 | 11.50 | 13.65 |
| Middle school | 9.10 | 8.40 | 10.10 | 11.95 | 11.95 | 11.80 | 12.52 | 14.46 |
| High School | 13.75 | 12.05 | 12.20 | 15.20 | 13.90 | 16.50 | 17.80 | 18.55 |
| Added needs | | | | | | | | |
| Special education | 3.75 | 3.45 | 4.00 | 5.15 | 4.80 | 5.85 | 7.41 | 8.38 |
| Title I / 31a At Risk support | - | - | | • | 2.00 | 2.00 | 2.50 | 3.00 |
| Total instructional staff | 26.60 | 24.90 | 29.70 | 36.80 | 41.15 | 47.10 | 51.73 | 58.04 |
| Supporting services | | | | | | | | |
| Pupil support | | | | | | | | |
| Guidance | 09:0 | 09:0 | 1.00 | 0.90 | 0.85 | 0.85 | 1.00 | 1.00 |
| Occupational therapist | 0.20 | • | • | • | , | • | • | |
| Social work | 1.00 | 09.0 | 1.00 | 1.00 | 1.00 | 1.50 | 2.00 | 2.00 |
| Instructional staff support | | | | | | | | |
| Supervision-special education | • | • | | | 0.40 | 0.40 | 0.50 | 0.50 |
| General administration | | , | ; | | | | | |
| Executive administration | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| School administration | 2.60 | 2.45 | 2.45 | 2.15 | 2.60 | 2.50 | 2.80 | 2.40 |
| Other support services | | | | | | | | |
| Business services | 2.00 | 2.00 | 2.00 | 2.10 | 3.00 | 3.00 | 3.00 | 3.00 |
| Facilities | 1.00 | 1.00 | 1.00 | • | • | • | | • |
| Technology | 0.65 | 09:0 | 0.55 | 0.55 | 0.65 | 0.65 | 06:0 | 0.80 |
| Athletic director | 0.35 | 0.20 | 0.30 | 0.35 | 0.15 | 0.15 | 0.15 | 0.15 |
| Total staffing | 36.00 | 33.35 | 39.00 | 44.85 | 50.80 | 57.15 | 63.08 | 68.89 |

Source: Business Office, Black River Public School.

Note: Black River Public School does not directly employ workers. Staff statistics shown are full-time equivalent employees of Education Associates.

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Black River Public School
Operating Information, Elementary and Secondary Instructional Programs
Last Eight Fiscal Years

| | | | | | | | | Fiscal Year | Year | | | | | | | |
|---|----------|----------|-----|---------|---------------|-------------|--------------|-------------|--------------|-------------|---------------|-------------|-------|-------------|------|-------------|
| | 8 | 2000-01 | M | 2001-02 | M | 2002-03 | 웨 | 2003-04 | | 2004-05 | | 2005-06 | 2 | 2006-07 | 2 | 2007-08 |
| Elementary grades K-5 | | | | | | | | | | | | | | | | |
| Instructional expenses | ↔ | • | ₩ | 48,707 | ₩ | 165,928 | €9 | 16,130 | ₩ | 497,429 | 8 | 590,977 | \$ | 33,562 | € | 777,547 |
| Students-full time equivalent | | • | | 20.00 | | 00.09 | | 81.00 | | 167.00 | | 213.00 | | 211.00 | | 252.00 |
| Instruction cost per FTE pupil | | • | ₩ | 2,435 | ₩ | 2,765 | ₩ | 2,668 | ↔ | 2,979 | ↔ | 2,775 | ↔ | 2,955 | ↔ | 3,086 |
| Paraprofessional aide | | • | | , | | • | | ٠ | | • | | • | | • | | 1.00 |
| Teaching staff (FTE) | | • | | 1.00 | | 3.40 | | 4.50 | | 8.50 | | 10.95 | | 11.50 | | 12.65 |
| Student:teacher ratio | | 1 | | 20.0 | | 17.6 | | 18.0 | | 19.6 | | 19.5 | | 18.3 | | 19.9 |
| Secondary grades 6-12 (general education) | cation | _ | | | | | | | | | | | | | | |
| Instructional expenses | \$1,0 | ,028,771 | ↔ | 915,057 | \$ | \$1,074,837 | \$1,0 | \$1,355,435 | 8 | \$1,391,033 | 8 | \$1,491,783 | \$1,7 | \$1,758,646 | \$2, | \$2,022,352 |
| Students-full time equivalent | | 286.90 | | 268.50 | | 349.55 | | 396.20 | | 405.15 | | 437.95 | | 490.38 | | 515.64 |
| Instruction cost per FTE pupil | ₩ | 3,586 | ₩ | 3,408 | ₩ | 3,075 | ь | 3,421 | ↔ | 3,433 | ₩ | 3,406 | છ | 3,586 | ↔ | 3,922 |
| Teaching staff (FTE) | | 22.85 | | 20.45 | | 22.30 | | 27.15 | | 25.85 | | 28.30 | | 30.32 | | 33.01 |
| Student:teacher ratio | | 12.6 | | 13.1 | | 15.7 | | 14.6 | | 15.7 | | 15.5 | | 16.2 | | 15.6 |
| Avg students in classroom | | 14.6 | | 15.3 | | 18.3 | | 17.0 | | 18.3 | | 18.1 | | 18.9 | | 18.2 |
| Special education program | | | | | | | | | | | | | | | | |
| Instructional expenses | ↔ | 123,330 | ક્ક | 135,617 | ક્ક | 197,020 | ↔ | 234,985 | G | 191,166 | ↔ | 274,230 | 49 | 338,203 | €9 | 403,477 |
| Students-full time equivalent | | 5.10 | | 4.50 | | 8.45 | | 11.80 | | 13.85 | | 10.75 | | 8.22 | | 11.31 |
| Instruction cost per FTE pupil | ↔ | 24,182 | ↔ | 30,137 | ₩ | 23,316 | ↔ | 19,914 | ₩ | 13,803 | 69 | 25,510 | s | 41,144 | ↔ | 35,674 |
| Paraprofessional aides (FTE) | | • | | | | | | | | | | | | 1.75 | | 3.56 |
| Teaching staff (FTE) | | 3.75 | | 3.45 | | 4.00 | | 5.15 | | 4.80 | | 5.85 | | 5.66 | | 4.82 |
| Student:teacher ratio | | 1.4 | | 1.3 | | 2.1 | | 2.3 | | 2.9 | | 1.8 | | 1.5 | | 2.3 |
| Student caseload headcount | | 26 | | 21 | | 46 | | 65 | | 72 | | 69 | | 99 | | 59 |
| Instruction cost per student | ↔ | 4,743 | ↔ | 6,458 | 69 | 4,283 | ⇔ | 3,615 | ↔ | 2,655 | ↔ | 3,974 | ↔ | 6,039 | ↔ | 6,839 |
| | | | | | | | | | | | | | | | | |

| Schedule D-4 | Student/ Teacher Ratio | 11.0 14.0 14.2 14.2 13.7 |
|--|------------------------------|---|
| Sche | Teaching Staff | 26.60 24.90 29.70 36.80 47.10 57.84 |
| hooi s ars | Percentage Change | 19.09 % -4.90 -8.11 7.15 0.94 8.05 |
| Black River Public School Operating Statistics Last Eight Fiscal Years | Cost per Pupil | \$3,946 3,752 3,448 3,694 3,614 3,648 4,281 |
| Black Ri Opera Last Ei | Enrollment | 292 293 417 489 585 661 710 |
| | Instruction | \$ 1,152,101 1,099,381 1,437,785 1,806,550 2,114,147 2,411,346 2,813,233 3,339,381 |
| | Fiscal Year | 2000-01 2001-02 2002-03 2003-04 2004-05 2005-06 2006-07 2000-08 |

Note: Enrollment based on fall membership count. Teaching staff are full-time equivalents.

| | Scho | ack River ool Buildi .ast Eight | Black River Public School School Building Information Last Eight Fiscal Years | thool ation a | | | Sch | Schedule D-5 |
|---|-------------------------------------|---------------------------------------|---|-------------------------------------|-------------------------------------|------------------------------|----------------------|----------------------|
| | | | | Fiscal Year | Year | | | |
| 2000-01 | | <u>2001-02</u> | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 |
| Black River Middle School/High School 491 Columbia Avenue Renovations and gym/music addition for 2008, acquired/renovated in 2000, constructed in 1930 Square feet 50,000 50,000 50,000 50,000 50,000 Capacity (students) 440 440 440 440 Enrollment 292 293 417 408 418 | for 2008, a 50,000 440 292 | ncquired/r 50,000 440 293 | enovated ii 50,000 440 417 | 7 2000, cor 50,000 440 408 | structed in 50,000 440 418 | 1930 50,000 440 448 | 50,000 440 499 | 70,000 540 528 |
| Upper Elementary 6-classroom Modular Building 509 Columbia Avenue Acquired and installed for fiscal 2004 Square feet Capacity (students) Enrollment | ilding | | | 6,664 120 81 | 6,664 120 84 | 6,664 120 86 | 6,664 | 6,664 120 84 |
| Lower Elementary 8-classroom Modular Building 521 Columbia Avenue Acquired and installed for fiscal 2005 Square feet Capacity (students) Enrollment | guilding | | | | 8,568 168 83 | 8,568 168 127 | 8,568 168 127 | 8,568 168 125 |
| Kindergarten Building (former storage building) 212 East 20th Street Renovated for 2008, acquired in 2000, constructed in 1930 Square feet Capacity (students) Enrollment | ling) construc | ted in 193 | 0 | | | | | 640 44 43 |
| Notes: | | | | | | | | |

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a Information is measured at the beginning of the academic year

secondary teachers who moved from room to room for each class period and taught their classes in the otherwise emply classrooms of host teachers who had a scheduled planning period at the time that the traveling teacher taught in the host teacher's classroom. Building was able to handle more students than capacity by scheduling each block period to have an average of 4 traveling

Black River Public School Student college preparation statistics Last Eight Academic Years

| | | BR | BRPS Graduating Class | g Class | | American Coll | College Testing (ACT Exam) | (CT Exam) | | | The Colleg | The College Board, Advanced Placement Program | nced Placeme | nt Prograi | a E | | |
|----------|-----------|----------|-----------------------|--------------|------------|---------------|----------------------------|-----------|----------------|--------------------------------------|-------------|---|-----------------------------------|------------|------------------|-------------------|--------|
| Academic | | % attend | % to post- | Scholarships | ships | | Composite Scor | | Senior Class | Senior Class, throughout high school | ligh school | School-w | School-wide, during academic year | ademic ye | ar | Mastery Benchmark | hmarks |
| Year | Graduates | 4-year | secondary | Amount | Per capita | BRPS | State | Nation | Participants 1 | Tests Taken | Mastery % | Participants | Tests Taken | Mastery | (Seniors) | State | Nation |
| 0000 | 3 | 7 | 3 | • | | | , | | | | | | ! | i | | | |
| 10-000 | 5 | 8 | % /8 | \$ 425,000 | UL/, EL 🕏 | 24.5 | 21.3 | 21.0 | | | , | | 27 | 74 % | % (64 %) | n/a | n/a |
| 2001-02 | 22 | 82 | 91 | 450,000 | 20,455 | 23.8 | 21.3 | 20.8 | 80 | 55 | • | 59 | 49 | 78 | 31) | n/a | n/a |
| 2002-03 | 31 | 24 | 94 | 560,000 | 18,065 | 24.8 | 21.3 | 20.8 | | | | 52 | 102 | 28 | · (6 | n/a | n/a |
| 2003-04 | 4 | 83 | 95 | 1,211,000 | 29,537 | 25.0 | 21.4 | 20.9 | 23 | 102 | 46 % | 49 | 111 |) 29 | (8) | 10.9 % | 13.2 % |
| 2004-05 | 32 | 8 | 26 | 850,000 | 26,563 | 25.0 | 21.4 | 20.9 | 17 | 84 | 44 | 20 | 122 | 61 | 73) | 11.6 | 14.1 |
| 2005-06 | 38 | 92 | 95 | 830,000 | 21,842 | 23.1 | 21.5 | 21.1 | 19 | 88 | 37 | 49 | 93 | 29 | 29) | 12.2 | 14.8 |
| 2006-07 | 28 | 9 | 06 | 1,200,000 | 20,690 | 23.3 | 21.5 | 21.2 | 54 | 6 | 34 | 26 | 130 | 73 | (2 | 12.8 | 15.2 |
| 2007-08 | 26 | 92 | 68 | 940,000 | 16,786 | 21.8 | 19.6 | 21.1 | 78 | 86 | 41 | 99 | 119 | 64 | (80) | | • |

Notes:

^a The ACT is a widely-accepted college entrance exam, which assesses high school students' general educational development and their ability to complete college level work.

^b AP Exam grades are reported on a 5-point scale as follows: 5-extremely well qualified to receive college credit, 4= well qualified, 3-qualified, 2-possibly qualified, 1-no recommendation Grades of 3, 4 and 5 are considered "mastery" scores that generally receive advanced placement college credit.

° Percentage of students in senior class passing an AP Exam (scoring 3 or higher out of 5)

Sources: BRPS academics office, ACT Inc. and The College Board.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 1, 2008

Board of Trustees Black River Public School Holland, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **BLACK RIVER PUBLIC SCHOOL** (the "School"), Holland, Michigan, which collectively comprise the School's basic financial statements as listed in the table of contents as of and for the year ended June 30, 2008, and have issued our report thereon dated October 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Black River Public School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Black River Public School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Black River Public School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether Black River Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Rehmann Johan



October 1, 2008

Rehmann Robson 2330 East Paris Ave. SE Grand Rapids, MI 49546

We are providing this letter in connection with your audit of the financial statements of Black River Public School as of June 30, 2008 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Black River Public School and the respective changes in financial position and, where applicable, cash flows thereof in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of October 1, 2008, the following representations made to you during your audit.

- The financial statements referred to above are fairly presented in conformity with accounting
 principles generally accepted in the United States of America and include all properly classified
 funds and other financial information of the primary government and all component units
 required by generally accepted accounting principles to be included in the financial reporting
 entity.
- 2. We have made available to you all—
 - Financial records and related data.
 - b. Minutes of the meetings of Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
- There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 5. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.

- We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a. Management.
 - b. Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
- 8. We have a process to track the status of audit findings and recommendations.
- 9. We have identified to you any previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective actions taken to address significant findings and recommendations.
- 10. The School has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 11. The following, if any, have been properly recorded or disclosed in the financial statements:
 - Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and affiliated governmental units that are not included in the financial statements as part of the reporting entity.

- b. Guarantees, whether written or oral, under which the School is contingently liable.
- c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances, consistently applied, and adequately disclosed.
- 12. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

13. There are no-

- a. Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- b. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
- Reservations or designation of fund equity that were not properly authorized and approved.
- 14. The School has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 15. The School has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 16. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 17. The financial statements properly classify all funds and activities.
- 18. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 19. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
- 20. Provisions for uncollectible receivables have been properly identified and recorded.
- 21. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 22. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- 24. Déposits and investment securities are properly classified as to risk, and investments are properly valued.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
- 26. Required supplementary information (RSI) is measured and presented within prescribed guidelines.

No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signature

Signature

Tiele.

Title.

October 1, 2008

To the Board of Trustees of Black River Public School Holland, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Black River Public School, (the "School") for the year ended June 30, 2008, and have issued our report thereon dated October 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter dated July 18, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Black River Public School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Black River Public School's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our meeting about planning matters on June 16, 2008.



Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Black River Public School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible pledges is determined using a process involving consideration of past experience, current delinquent pledge information, payment history, and other information contained in the donor files.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 1, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the governing body and management of Black River Public School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rehmann Loharn